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TRANSLATIONS ON EASTERN EUROPE
ECONOMIC AND INDUSTRIAL AFFAIRS
No. 1710

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EAST GERMANY

NUMBER OF STORES TO BE INCREASED

East Berlin PRESSE-INFORMATIONEN in German No 134, 11 Nov 77 p 2

[Article by Gerhard Briksa, minister for trade and supply]

[Text] In the current five-year plan, the finished goods inventories of essential and nonessential foods and beverages will increase from 42.5 billion marks in 1975 to approximately 50 billion marks in 1980. In order to use this increasing volume of commodities with the greatest supply effect, it is necessary to improve resolutely the shopping conditions for the customer.

To this end, a number of different ways are being pursued. Many small- and medium-sized sales outlets of socialist trade, as well as of the commission and private retail trade, which account for a high proportion of the supply of daily necessities, have been modernized, and this will continue in the future as well. But this is not sufficient. Especially time-saving and rational buying is made possible by the shopping centers that are being built in particular as a component of the complex housing construction in new residential areas, but increasingly also in old residential areas of cities. During the last few years they developed more and more as the determining supply institutions in large residential areas.

During 1971-1976 alone 430 shopping centers were newly constructed. Thus their number more than doubled during this period, with especially efficient shopping centers in an order of magnitude of between 400 and 1,500 square meters of sales space being built. The sales space of the shopping centers altogether has almost tripled during 1971-1976, it grew from 124,000 to 346,000 square meters.

At the present time, about one-fifth of the daily necessities are sold in shopping centers. In the residential areas of the capital of Berlin, this share already accounts for about 50 percent. Like in the entire republic, the net of shopping centers in Berlin continues to expand. In 1980 the capital will have at its disposition more than 143 shopping centers, in which about 80 percent of the population can purchase their daily necessities.

Complex Offer of Merchandise

Characteristic for the development of the network of shopping centers is the fact that rigorously standardized assortment and supply projects of the so-called standard series Kaufhalle on the basis of the industrial metal light construction process are being used. The 120 shopping centers in this series that have already been opened in all areas of the republic make clear the high effectiveness of this path. The four obligatory projects and the central production of the building frame in the state enterprise (VEB) Metal Light Construction Combine, Halle works, help to realize the planned new construction projects without interruption. Moreover, the projects offer favorable preconditions making it possible to organize the trade activity in all locations effectively and with great advantage for the supply. In addition, planning capacities are saved and construction times are shortened.

The advantages for the customer consist, above all, in a supply of merchandise that is complex and clearly arranged, as well as in improved shopping conditions. The assortment of a shopping center includes up to 4,000 articles, with which about 80 percent of the demand for daily necessities in the residential area can be met. From the perspective of the national economy, too, the shopping centers demonstrate considerable advantages vis-a-vis the traditional net of sales outlets. For example, labor productivity is about one-third higher, use of capacity is one-fourth higher. At the same time, a 30 percent more rapid turnover of merchandise is realized.

The shopping centers also offer considerably better working conditions. Thus the modern shopping centers have at their disposal good social facilities, such as spacious lounges for breaks and separate changing and showering rooms. A high degree of mechanization of intraplant transport reduces heavy physical labor decisively. In the shopping centers the degree of mechanization is as high as 90 percent, while in the remaining sales outlets the merchandise almost exclusively still has to be transported manually. This is so important because mostly women work in the retail trade.

Use Diverse Forms

In socialist competition, many collectives are concentrating on the still more intensive use of the advantageous conditions of these modern shopping places to supply the population well. In the foreground of this effort is the perfection of the cooperative relations with the wholesale trade and the enterprises in agriculture and food production in order to secure a stable and abundant supply of goods. The cooperative departments for meat and sausage products, fruit and vegetables, as well as dairy products and baked goods, created following the example of the Berlin shopping center association, have proved themselves in the shopping centers. With the direct participation of agricultural and food production enterprises, new solutions of the organization, supply, direct purchase, merchandise turnover, the presentation of merchandise and cultural refinement of selling, as well as the care of customers, are being created here. The experiences of the Berlin shopping centers must be generalized without fail.

To shorten the waiting time at cash registers and service counters is also important for the implementation of rational solutions with regard to the sale of merchandise. This becomes possible through the qualification of employees for several jobs, the installation of express cash registers, as well as through better preparation of sales and a higher proportion of pre-packaged self-service merchandise.

Naturally, shopping centers cannot be built everywhere; that does not make sense from the perspective of the national economy, nor is it necessary. For this reason the directive of the Ninth SED Party Congress reads: "The efficiency of the existing trade net is to be increased through rationalization and reconstruction in conjunction with the meaningful association with new housing construction, especially within the framework of the complex housing construction program and through the use of local reserves." In other words: Today and in the future as well, the small- and medium-sales outlets will have to fulfill a large part of the supply tasks. With a sales force frequency of two or three, they account today for more than three-fourths of all supply achievements in regard to daily necessities. The local state organs and the socialist trade enterprises, therefore, are making an effort to improve step by step the efficiency and working conditions in the smaller stores through rationalization, small-scale mechanization, reconstruction and various measures of scientific work organization. This is also true of many commission and private retail dealers, who received advantageous conditions for the maintenance and modernization of their businesses in the decree of the Council of Ministers of 12 February 1976 on the advancement of private retail businesses, restaurants and handicraft enterprises for service in the interest of the further improvement of the supply of the population. All of this serves to attain permanent solutions with regard to a richly-assorted and timely supply of consumer goods.

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EAST GERMANY

GREATER EFFORTS NEEDED FOR EXPORTS

East Berlin BERLINER ZEITUNG in German 12-13 Nov 77 p 9

[Commentary by Dr Karl-Heinz Arnold]

[Text] This fourth quarter once again requires special efforts in order to reach the export goals for the year as well as possible and not to begin at zero in January. This concerns not only the production collectives. The large circle of those who are responsible for merchandise valued in the millions of valuta marks ranges from truck drivers and railroad employees to those engaged in foreign trade and customs officials. This merchandise is to be of high quality, reach the buyer on time and in perfect condition and be as profitable for us as possible.

The special interest of the GDR in the development of foreign trade--Erich Honecker has made reference to it in his Dresden speech--obligates millions of workers who are directly or indirectly involved in it. Whether it be the case that they increase the production of products that are in demand and profitable, and say good-bye to goods that are difficult to dispose of on the world markets, or be it the case, for example, that they make highly rational use of raw material and material, thus easing our import balance.

Basically, every citizen of the republic has a special interest in a flourishing foreign trade, if only because our economy would not even exist without the import of raw materials. However, since we had to expend almost 14 billion valuta marks more after 1973 for them, it is clear that we can balance our imports only if we increase our exports and make them more profitable. For the revenues that can be obtained for finished products have increased substantially less than the prices of raw materials. However, the GDR exports predominantly industrial products and imports mainly raw materials and semi-finished products.

If one takes 1970 as the base year, the export prices of capitalist countries by last year had increased to an index of 183 for industrial products and 311 for raw materials. But we must purchase raw materials as well as food products and nonessential foods and beverages in nonsocialist countries,

needed varieties and quantities of oil, as also tropical fruit, coffee, cocoa, nonferrous metals, cotton, rice and spices--merely to indicate the palette; it so happens that the GDR is a country in which pepper does not grow. Through the capitalist crisis we have also suffered export losses and now as before we have problems with regard to selling investment goods in these countries.

Corresponding to the world market development, raw material prices in CEMA have also increased at a greater rate than the prices for finished products. And we have to participate in the production of raw materials in socialist countries with higher investments than during the preceding five-year plan. All such foreign trade debits, however, as Erich Honecker emphasized in Dresden, we can balance only through a corresponding increase in national income.

And this increase in newly-created values must be export effective.

Obsolete office technology and processing machines without sufficient electronics do not generate the necessary and possible export revenues. The picture is quite different in the case of top products of our cable industry or efficient plastics machines, cranes that are in demand, or interesting chemical products. The task set by the fifth plenum, to compare our own production with the international state [of the art] without pulling punches and to draw conclusions from this, is more valid now than ever.

The GDR's special interest in foreign trade does not follow in principle from the foreign trade debits that have come into being since 1973-1974. It is considerably reinforced by them, and the debits require greater efforts for export and the most rational utilization of the imports. Basically, however, we need a further increasing foreign trade in order to increase--through participation in the international division of labor via export and import--our national income, not in the least in the form of the importation of the latest technology. However, only those can purchase well who have sold well.

Thus, the export power of the GDR in particular constitutes a considerable factor in our social progress. All of us have an understandable interest in this; Erich Honecker pointed it out: The population, too, is to be supplied more adequately with the good products that have successfully passed the test of the world markets.

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QUESTION RAISED ON NEED OF INCREASED EXPORTS

Magdeburg VOLKSSTIMME in German 9 Nov 77 p 7

[Article by Fritz Oelze]

[Text] "Well, I don't understand it," a colleague told me recently during an exchange of views with workers. "Here we are now building so many new, efficient machines in the GDR, and I am still working with this piece of old junk, but everything goes for export..."

Yes, a whole lot does in fact go for export. And, what is more, the share of export is even increasing--a fact already proved statistically: for example, foreign trade turnover in the GDR increased from 2.7 billion marks in the founding year to almost 74.4 billion marks in 1975. During the current five-year plan our foreign trade (and thus, of course, our export as well) will increase twice as fast as production of industrial commodities. During the first 6 months of 1977 alone, our foreign trade increased by 13 percent.

Our Return

Why is this so? Expressed briefly, it is because foreign trade is a question of existence for us. We export because we are dependent on exports, because only the receipts from export create for us the possibility of our extensive imports. Among these are, above all, raw materials, which our industry requires in growing measure. These are the hard economic realities. To ignore them would mean to inflict injury upon ourselves.

Let us but realize the fact that last year of the total social product of 300 billion marks, material accounted for 220 billion marks. Material, the overwhelming part of which had to be imported first. For example, we secure up to 90 percent of our requirements of oil, iron ore and cotton from the Soviet Union. Sixty percent of our aluminum and 45 percent of our nickel comes from there. On the other hand, for this reason many of our export crates are marked with the designation: "USSR." That is our return, among other things, for the vital raw materials, without which we could not continue production on modern or on older machines even for one day. This is why Erich Honecker declared in his Dresden speech that our republic is among those states which have a special interest in the development of world trade.

No Other Country in the World...

By the way, other industrial states, too--apart from the raw materials-rich countries of the Soviet Union and the United States--face the same problem. However, in the Soviet Union and the United States, too, foreign trade is increasing more rapidly than production because there are other important reasons for the expansion of foreign trade than the demand for raw materials and energy.

The most important is the fact that under today's conditions of turbulent scientific progress nobody can produce everything at a high level and at favorable costs. No country in the world can produce top quality output in all fields. The enormous expenditures for research and development alone, as well as the necessity to produce in large numbers, prohibit this.

Expressed another way: The limitation of production to certain assortments and products, in short the growing international division of labor, has become a prime factor in raising the labor productivity in our economy as well.

But, of course, if the question is foreign trade, climate, too, plays a role: tropical fruit and coffee, it happens, do not grow in northern latitudes. Moreover, there are historically rooted peculiarities, e.g., a long tradition of producing certain products and special kinds of knowledge and skills connected with them.

Thus, whether we like it or not, we simply cannot do without exporting in growing numbers machines, installations and also consumer products that we would like to buy in the store ourselves. We do it in order to cover today's and tomorrow's raw material needs, to import modern machines from other countries, in order to be able to strengthen the productive capacity of the economy in this way and to supply the population with a still wider assortment of high-quality consumer products. We are doing all of this in order to be able to continue further our program of growth, stability and prosperity with purpose and direction, as stipulated by the main objective.

For Example: Elmo Against Siemens

To sell more in the worldmarket, however, means for example for the Elmo plant to deal successfully with the competition of the Siemens concern every day--which, by the way, the people from Wernigeroede are doing remarkably well. This, however, can be done only with first-class products, for nobody takes trash off our hands. The supply in the world market is large, and the decision concerning whether our products are purchased are made by on one else but the customer.

Of course, one can understand the impatience of the colleague mentioned at the beginning, who also would like to work with the most up-to-date machinery because it is more fun and also more productive. But we don't solve his problem by restricting the vital export, but rather by working better at every job. For it is characteristic of our economy, after all, that through intensification within the framework of our possibilities and while increasing export we also decisively push ahead with the modernization of our own basic assets. The fact that within the past 5 years we have succeeded in replacing 40 percent of all machines and equipment surely speaks for the powerful efforts of the GDR in precisely this respect.

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HUNGARY

HUNGARIAN ENTERPRISES IN UNITED STATES DISCUSSED

Budapest VILAGGAZDASAG in Hungarian 24 Nov 77 p 3

[Article by Richard Hirschler: "Successful Hungarian Enterprises on the World's Largest Buyers Market"]

[Text] It is a strange dualism. While a large part of our enterprises today view the business opportunities offered by the American market with apathy (the high duties, let us add, often play a role in their alienation) most of the 11 firms sharing 98 percent of the Hungarian export going to the US feel at home in the US, are expanding their market contacts enthusiastically and are experimenting with new forms of cooperation. In the near future several enterprises will be established in the US and, if we cannot yet speak of a "Hungarian challenge," a Hungarian-American incandescent lamp factory, a plant assembling X-ray equipment and Hungarian owned pharmaceutical sales form will begin operations. The limits on the expansion of our canned hams are set only by the domestic swine stocks or the meat processing capacities. The RABA factory in Gyor, whose name is now known to the great vehicle industry concerns throughout America, has won a "bridgehead position" for the Hungarian machine industry. And, let us add, the expertise and reliability of the Hungarian National Bank have won it real prestige in financial circles. I followed up these successes, worthy of being followed, in New York and Chicago.

"In Budapest I always stay in the hotel named after me," jokingly remarked George Gellert, president of the Atlanta firm whom I looked up at the New York office of the enterprise in a nondescript skyscraper in the southern part of Manhattan island. At the moment this enterprise is the most important purchaser of Hungarian goods; this year they are importing, for more than 20 million dollars, canned hams, shoulders and bacon from TERIMPEX [Foreign Trade Enterprise for Livestock and Crops], receiving almost 40 percent of the Hungarian export going to the US.

Too Little Ham

"We could sell many more of them, five times the present amount."

"And the competition?" I interjected.

"Last year they sold on the American market, in addition to the 6,000 tons of Hungarian export, 43,000 tons of Danish and 27,000 tons of Dutch pork products while from the socialist countries Poland sold 41,000 tons, Yugoslavia 15,000 tons and Romania 5,000 tons. Poland, for example, spends one million dollars per year to popularize Polish ham. But the largest part of the Hungarian products reach the shops without a trade name as 'imported ham.' And yet the capacity of the market is very great; the value of the pork products traded is slowly approaching one billion dollars. American meat consumption is increasing by 10.5 percent per year.

"Placing the Hungarian goods, which are of outstanding quality, would cause no problem in any case because the Dutch and the Danes are slowly drawing out of the market, shifting their export to associated countries in the Common Market. So it would be beneficial to place into operation as soon as possible the Kaposvar meat combine in Hungary which, I am informed, will send its entire 30 million dollars worth of export per year to the American market."

"Why is the famous Hungarian salami missing from the Atlanta selection?" was my next question.

"Unfortunately when they reconstructed the Szeged salami factory they neglected to implement the strict American health requirements so we cannot buy from them," was the answer.

By the time I returned to Budapest I learned that after a long delay it now appears that it has finally been decided which western firm will receive the commission to build the Kaposvar meat plant. The winning firm must try to see that the "dollar factory" begins production by the end of 1979. Each year 400,000 hogs will travel through it, going to the US in the form of canned hams, shoulders and bacon.

They also said at TERIMPEX that dry processed goods may appear in the US; the Gyula Meat Combine will begin manufacture of sausage and salami next year. According to their plans they would like to appear on the American market with a cheap and quick ripening salami based on an American recipe. If they succeed in getting a contract with Atlanta or some other American firm then the export of the Hungarian foodstuffs industry could increase by another 9-10 million dollars per year.

The Action Tungram Is Getting Ready

What TERIMPEX has done with canned hams United Incandescent has done with electric light bulbs; Hungarian light bulbs have found a solid market base in the US, providing 6 million dollars in export income per year. So what prompted our gigantic enterprise to establish a mixed enterprise in the US under the name of Action Tungram in which it will have 49 percent of the shares and its American partner, Action Industries, will have 51 percent?

The president of the first Hungarian-American mixed enterprise, A.L. Merken, justified the creation of the new firm as follows. (In East Brunswick, near New York, a brand new factory hall is waiting for the automatic light bulb manufacturing lines of United Incandescent on which, according to the plans, Action Tungstam will begin production in April.)

"It is no accident that more and more foreign trade partners are trying to organize local manufacture in the US. They can thus save the considerable transportation costs and duties and can adapt to the needs of consumers more flexibly. In our case we also reckoned with the fact that we would like to expand the scale of products; we want to manufacture machines, but not just lamp manufacturing lines. Unlike the incandescent bulbs these products will be manufactured in small series so manufacture here is much more rational, rather than organizing supply for American customers in the Hungarian center of United Incandescent, which is of a respectable scale even by international standards. Our site is within reach of major ports and highways in the middle of a trade zone embracing almost 20 million.

"For the time being our joint enterprise will have a base capital of 7 million dollars. We will start production with 100 employees; the four member directing council will have two Americans and two Hungarians. Finally, I would like to emphasize that the expected diversification and expansion of the activity of the joint enterprise is in harmony with the goal of having United Incandescent expand its export to the United States too," the American businessman pointed out.

Founding an Enterprise--With the Aid of the Hungarian National Bank

Other Hungarian enterprises also are making preparations to found American enterprises. Thus for MEDICOR [Medical X-Ray Equipment Enterprise] has not really been able to get a footing in the US but now a mixed enterprise for assembling and marketing X-ray equipment has been established. (See our separate article on this page.)

MEDIMPEX [Foreign Trade Enterprise for Pharmaceutical Products], which has appeared on the US market with its pharmaceutical products, has achieved spectacular successes in a few years and now exports morphine and various active ingredients for more than 4 million dollars. It has now put on the agenda the creation of a pharmaceutical marketing enterprise which it will own itself; this will facilitate a survey of market needs, preparation for introducing products in America and the execution of various experimental tests.

The Hungarian National Bank [MNB] is playing an active role in providing a financial background for founding Hungarian enterprises and it has won general recognition in the New York banking world. I had an opportunity to convince myself of this when meeting with the leaders of a few mammoth banks.

The Chemical Bank participated in that North American credit consortium which extended 200 million dollars to the MNB this year. Representatives of the bank spoke with appreciation of the MNB report published on the occasion of receiving the credit. While giving a precise picture of the chief trends of Hungarian economic development and of the expansion of export capabilities the report provided information on monetary and foreign exchange reserves, the amount of credit and the schedule of repayment. (At the end of last year, the gold and foreign exchange reserves of the MNB reached 1.5 billion dollars while in April of this year the Euro-loans assumed from the west or the sum of debentures without interest came to one billion. Repayment of much of this will be due between 1979 and 1982. The memorandum covered these things among others.)

Concerning RABA in Chicago

Chicago is 1,600 kilometers from New York, 2 hours by air; here I was received by Vice-President McMenamin at the headquarters of the International Harvester Corporation (IHC).

This mammoth concern, showing a turnover of 5.5 billion dollars per year and manufacturing primarily agricultural machines, trucks and earth moving machines, has established good cooperation with RABA. "RABA came to our attention when we became share holders in the Steiger firm, the first American partner of the Gyor enterprise. It happened that we needed a partner to deliver under-carriages for our new types of trucks and the Gyor firm submitted their proposals with breath-taking speed. We chose them and sold our manufacturing license and we are expecting the first Hungarian deliveries in December of this year.

"Our production cooperation is becoming even more many-sided in that on the basis of our licenses RABA will manufacture working machinery for their large capacity tractors--disk plows and harrows. When we enter into cooperation with an enterprise of a socialist country we take into consideration long range interests in addition to monetary economic considerations such as investments savings; we want to build up lasting markets with the socialist countries. So development of US Eastern trade is an important pillar of our business strategy," the vice president pointed out when he was awarded a decoration of the Hungarian Chamber of Commerce on the occasion of Hungarian Day in Chicago for his successful work in aiding economic cooperation between the two countries.

Are other American concerns thinking along similar lines? If so, how can we expand the circle of Hungarian enterprises doing business with the US? In the third and final article of this series I will try to give an answer on the basis of my conversations.

HUNGARY

ELIMINATION OF HUNGARIAN-U.S. TRADE BARRIERS DISCUSSED

Budapest VILAGGAZDASAG in Hungarian 25 Nov 77 p 3

[Article by Richard Hirschler: "A Common Task: Eliminating Blank Spots in Trade"]

[Text] "Next year we are counting on Hungarian export of 75 million dollars, 20 million more than this year," our trade counsel said self-confidently in New York, and these figures include the diligent work of the tiny staff of the New York and Washington office under his leadership. This spectacular development could be even swifter if the blank spots could be eliminated. Hungarian foreign trade could make contact with small and medium size enterprises in America, not only with the big cities of the East Coast but also with other important regional markets, and bring into business activity--similar to the Soviet Union and Poland--the honest emigration of their children in those areas where this appears more advantageous. According to initial calculations the series of programs of the Hungarian Chamber of Commerce represents serious progress in this sense.

"Is it not to be feared that some American enterprises turn from trade with the east because they would be forced to make greater efforts on socialist markets?" I asked the man best suited to answer, A. Reich, chief of the east-west trade office of the Department of Commerce in Washington.

An Active Office

"According to the most recent statistics the socialist trade of the US will decrease by the end of this year by 25 percent as compared to last year and will not reach the 4 billion dollar level. (According to experts the decrease this year in deliveries of grain and fodder played the greatest role in this and a significant increase in the export of agricultural products can be expected against for next year.

"One cannot generalize. It is certainly a fact that several enterprises trading 'from fashion' have dropped out and that trade has lost the sparkle of the early 1970's. But interest continues to be lively and our office is more active in the sixth year of its operation than ever before. We exist, I and my 100 colleagues, primarily to aid American firms on the socialist market; we facilitate their work with market information and concrete business advice in addition to organizing business trips and exhibits. But we see clearly that foreign trade goes both ways and the Washington center, together with our 43 offices throughout the country, is ready to aid Hungarian businessmen--buyers and sellers--in market organization, market research, trade technique and other questions," the American government official said.

In any case, the Hungarian enterprises need not feel that they are alone in the US; our offices in New York and Washington, the American contacts of the Hungarian Chamber of Commerce and the US division of the Hungarian-American economic council are all ready to guide them in the jungle of American regulations.

The Legal Labyrinth

American businessmen also recognize that it is difficult to get a footing in the market without a lawyer who is well acquainted with local regulations. (Several experiences have shocked our enterprises; it was in vain to sign in advance in long range contracts for the annual amount of Hungarian export because the cooperating American partner simply would not take it, saying that the market had narrowed and the products could not be sold. Since they had done everything for the sales they denied their responsibility.

It is an American speciality; perhaps no where in the world is "product liability" so wide-spread as in the US. For example, a party suffering from a highway accident can sue an autobus factory and can demand payment for damages from the manufacturer of a design considered faulty, which caused the accident. It is not by chance that the insurance companies will assume responsibility for a product only for a high fee, often reaching 25 percent of the value of the item, which can cause many deals to fall through.

These few examples call attention to suitable caution and a basic knowledge of external conditions but should not prompt a neglect of the American market. "Many Hungarian enterprises simply are not aware that it is not only the large international multi-nationals which are operating in the US, that the smaller firms specializing in the manufacture of parts and accessories could be good cooperation partners," said Lajos Schmidt, one of the leaders of the largest international law offices in the US, the firm of Baker and McKenzie. He has sufficient experience in this area--he is a member of the presidium of the Hungarian-American economic council--he knows our enterprises and has taken a lion's share in organizing the Hungarian Days too.

It is not only the smaller enterprises which represent blank spots for our foreign trade in the US today, even geographically there are great areas where--to put it somewhat pompously--the Hungarian presence is not yet felt. Just one example: the annual export of the state of Illinois comes to 9 billion dollars, together with nine other mid-western states in its zone of attraction it accounts for 30 percent of the industrial production of the US and its 56 million consumers control 27 percent of the disposable income.

Undiscovered Regions

The state department for industrial affairs actively encourages the export and import activity of Illinois' small and medium size enterprises; it sends economic delegations abroad, organizes exhibits and offers financial support for all this. Another of our countrymen away from home, Miklos Pogany, participates directly in this work. So far he has had no contact of any kind with Hungarian enterprises although, as he said, he would be most happy to participate in building up Hungarian contacts for Illinois firms. An invitation to the Hungarian Day in Chicago was already on his desk and after his return a brief announcement by MTI gave the news that the state of Illinois was sending an economic delegation to Hungary.

So the matter had a fortunate continuation but the question necessarily arises: How many such undiscovered regional markets hide in the US? And a second follows immediately after: How many such well intentioned, honest former countrymen work in key areas of American business life who would be glad to participate in the development of bilateral contacts if they had an opportunity and if we sought the paths leading to them? (Naturally we should not forget that in certain areas a first generation agent or representative could be a disadvantage too.)

To Know One Another

Of course, our American partners must overcome a number of prejudices too. To speak of only one: The little film titled "What Makes Us Tick?" reporting on our economic and social achievements aroused universal recognition among the many attending the Hungarian days.

One businessman in Chicago expressed his amazement: "We must learn from you how to make such an effective 15 minute information film in which not one word is spoken." The road to overcoming prejudices and unjustified reservations leads through a closer binding of economic contacts.

Multilateral cooperation could also contribute to an elimination of bad conditioning. This is a slow progress but there are increasing signs of its certain development; there were gratifying developments even after my return home. MOGURT [Foreign Trade Enterprise for Motor Vehicles] sent to

America the first model of the coachwork for the Ikarus hinged bus and buses manufactured through Hungarian-American cooperation may soon appear on the streets of large American cities.

The other news item was that all the detailed questions have been cleared up and we are on the threshold of signing the most significant Hungarian-American machine industry cooperation contract of all time, which will not only considerably increase the value of our export but which will also bring a real qualitative change in trade between the two countries.

Let me conclude the chronicle of my American conversations with the warning, often heard in the US, that Hungarian enterprises can find a footing in the American market only after careful preparation and by showing suitable flexibility. The extra work, as the above examples show, will amply repay the enterprises later, as it will the people's economy too. It should not be forgotten that we need to struggle not only against the discriminative duties; we must also strengthen our export positions in the most significant economy of the world if we want to obtain from the United States more modern technology and machines in addition to soy and other agricultural products.

8984

CSO: 2500

PAPERS DISAGREE ON CAUSE OF ECONOMIC PROBLEMS

Personal Faults Explanation of Difficulties

Warsaw ZYCIE WARSZAWY in Polish 19-20 Nov 77 p 5

[Article by Monika Mrozowska: "I Don't Believe in Mechanisms"]

[Text] When I wake up at 5 in the morning I manage until somewhere around 6 to set down a plan of ambitious acts, a list of important things worth undertaking, responsible subjects. Then I get up, my teeth chattering with the cold, because the remodelling or replacement of something there in the heating equipment is taking not the 2 days promised by the management in the written notice but 2 weeks now. Then I heat the water to bathe in for the reasons given above, and later go after the milk, because the lady who delivers the milk seems to have been given something more urgent to do.

And so slowly I begin to be inclined to put off the great issues until later and first of all to take up a couple of minor matters, another phone call to the management to ask about the water and the heat and getting the shop to tell me just what has been going on with my milk. Although basically I can spare myself this, because even so the management entertains me with a laconic reminder about difficulties "in the area of the pipes," and the woman in charge of the shop asks me if perhaps I have not heard what informed people know, that there are employment problems. And every citizen aware of the extent of the difficulties backs down and respectfully submits to the force of the arguments used on the scale of the national economy.

Now here I have a yen to say: Nix! The national economy does not have anything to do with the irresponsibility of the house manager, who could have told us right off that it would be cold for 2 weeks, instead of just trying to avoid the issue. And employment policy has absolutely nothing whatever to do with the unconcerned attitude of the shop manager, who senses no responsibility for the woman who delivers the milk and did not even put herself to the trouble of trying to interest her in fulfilling her obligations.

If the cheese plant driver thinks the store managers should be delighted that he came at all, because he really did not have to, and if he had not, even then the world would not have fallen apart, then what has this to do with the conditions in the raising of dairy livestock, the fodder situation in our country, and wholesale prices? And in the line of housewives waiting for cheese there will be a grave discussion about the serious situation in the milk industry, which is suffering shortages of raw material for cheese production.

Let us not be taken in so easily, because it is simply untrue that without lifting a hand, that any mistake can immediately be rectified by employing mechanisms to make various areas of the economy work.

All right, it does happen that the whole mechanism is set in motion for a small thing. I can understand that when the head of a chemicals factory forces me to be happy with Antyk dish-washing liquid instead of Ludwik I still do not know if it is better, although surely even at first glance it is more expensive, perhaps this can be explained by some sort of mechanisms. Whether they are correct or not, I do not know, but surely simply in passing I would not mention it to him. But if the taxi driver changes his mind when we are half way there and throws me out of the car, and the drunken porter in charge of the sleeping car does not wish to wake me up, what has this got to do with the mechanism of the functioning of transport in Poland or rolling stock problems?

One physician from the emergency department to whom apologies were made for his having been called by mistake to an accident which turned out to be trivial answered that after all his basic duty is to go to attend patients, and another from the threshold gives his opinion of hysterical people and various others who do not respect his difficult, responsible calling. And we think long and hard before we phone the station manager or heaven forbid write the newspaper, because they are ready right away to point out how complicated the mechanism of the functioning of the public health service is, how upset things are owing to the unsettled situation with imports and on the investment front, and what with the classification tables and so on, and all the while we are putting spokes in his wheels. If the head of the local municipal transport changes the bus routes on the residents of the area without asking them for their opinion -- and there are ways of doing this, really -- what sort of special reasons are there for justifying this situation?

There is a common swear word meaning extreme aggravation, one which we cannot put in the newspaper but best fits the state of mind following encounters like this. We could find dozens of completely obvious instances of nonsense, instances of neglect no mechanism or system will put an end to and which can immediately be pointed out without any danger of violating the principles of respect for jurisdiction or higher expert instruction.

The institutions of higher education practically stir up commercial subjects, but trade, which is aware of the cooperation problems of industry, the situation on world markets, and the inadequacies of the network of shops and their own difficult fate, produces a paper on economics in response to just about every accusation. But if in a given shop the clerk considers in a friendly way which color of blouse looks best on me but in the one next door the bored saleswoman stares at the ceiling instead and leaves me to solve the problem of what to do with 1,000 zlotys, please do not treat me to a serious discussion of politics.

With just these dozens of the most stupid and annoying matters it is easiest to lose one's wits and become buried, so that one does not have enough breath or perspective left for the things of real concern which merit special effort. You can always find dozens of responsible, thinking, principled people ready to bring out the heavy guns, which is not at all appropriate. And you can always find some large group of people ready in any large matter to strike a small bargain, go for a ride like the proverbial fly on the steer, and then wipe the sweat from their brow and jabber about objective difficulties.

Of course, the economy, the whole state system in general, is too complicated an organism for building as a whole from separate parts not to be a serious sin of simplification. We need not convince one another that the view of everything separately is an unforgivable error, proof of ignorance, and the reason for failure to comprehend the various complexities and twists and turns in our development. Except that these very examples, which were discussed at the beginning: irresponsibility, indifference, and a sense of immunity at various levels and in various areas, as revealed in great disorder and universal inability to handle the simplest matters, must be viewed separately. Really, they are not worth fitting into any whole.

Generally speaking, in assessing the most varied phenomena of our life, we have the tendency to oversimplify things. On the other hand, in the most obviously simple matters, we make things excessively complicated, we confuse things, we find contexts and implied meanings which just are not there. Although perhaps this very complication of things is simplification, because it relieves us of the task of sensible reflection, of pounding our fist on the table, of the most common execution of duties and order, which by no means need the intervention of authorities at the highest level, of high-ranking resolutions, or strategic decisions.

Inadequacy of Non-System Explanation

Warsaw POLITYKA in Polish No 48, 26 Nov 77 p 2

[Commentary by Jacek Maziarski: "Guilty Sorceresses"]

[Text] "We need not convince one another that the view of everything separately is an unforgivable error, proof of ignorance, and the reason for failure to comprehend the various complexities and twists and turns in our development," writes Monika Mrozowska in the article "I Don't Believe in Mechanisms" (ZYCIE WARSZAWY, 19-20 Nov). At this point the careful reader has a right to believe that Mrozowska is making a fool of him, because after all her entire text contradicts this statement. It is a disarmingly frank proposal of a different view.

In Mrozowska's opinion the most diverse everyday irritations and failures in our life, for example, lack of hot water, delayed milk deliveries, the indifferent attitude of the emergency doctor, and so on, are simply the result of ill will and defects in the character of the various employees of the services sector. The author of "I Don't Believe in Mechanisms" does not want to hear about employment problems in trade. For her there is no relationship between the lack of staff and the delayed milk delivery. "Let us not be taken in," she says with preacherlike enthusiasm. The shortage of pipe does not justify the actions of the director of the housing administration. If he had had more good will, hot water would have no doubt been gushing from the faucets.

In Mrozowska's view, the cause of the trouble is to be found in the dark recesses of the human soul. If you shake somebody up, the evil will fly out and from then on Mrozowska will be able to enjoy her milk in the morning.

The article "I Don't Believe in Mechanisms" is a curious attack on dialectical causal reasoning on reality. Mrozowska simply rejects socioeconomic causal mechanisms and boils everything down to good or ill will. Therefore, if among the physicians in the emergency department there are instances of behavior which shows disregard for patients and work, we should not bother with any sort of mechanisms or causes. Disgusted, Mrozowska rejects as excuses any attempt to seek relationships or contexts. For her the matter is simple: We need to improve the character of physicians and not the emergency service.

Mrozowska senses that her theory may draw fire, so just in case she rebukes potential attackers to make them less inclined to enter the discussion: "You can always find dozens of responsible, thinking, principled people ready to bring out the heavy guns, which is not at all appropriate. And you can always find some large group of people ready in any large matter to strike a small bargain, to go for a ride like the fly on the steer, and then to wipe the sweat from their brow and jabber about objective difficulties." Some of this is not too clear. Just what is this "large

matter" supposed to be. Has Mrozowska suddenly become the prophet of some unknown idea?

There should be public opposition to bothering readers with such theories. It is not even a question of the fact that Mrozowska simply rejects the materialistic analysis of reality and replaces it with prattle about good and ill will. If she wants, she can even believe that the milk productivity of cows depends on the actions of sorceresses. That is her business, but telling people that basically everything is quite simple and that it is enough to "bang your fist on the table" does not sound nice at all.

10790

CSO: 2600

POLAND

AUTO PLANT DIRECTOR DIAGNOSES LOW QUALITY LEVEL

Warsaw POLITYKA in Polish No 48, 26 Nov 77 p 5

[Interview with Eng Marian Karwas, technical director, auto plant, by Witold Blachowicz: "Expensive Tolerance"]

[Text] [Question] My colleagues advised against an interview with you, saying that I would be encountering dodges and hedges. Where they right?

[Answer] The question is too serious to be able to handle it with dodges instead of looking for effective solutions. We talk about this at production meetings, as producers, and privately, as car owners, but it seems to me that a defect of the numerous discussions concerning the quality of the products is the focusing of attention on the effects rather than on the causes.

[Question] Then let's talk about causes.

[Answer] It seems to me that a major cause of the low quality is general tolerance, mutual absolution for poor execution of some part of the unit or another, equipment, or a whole series of products. Quite often the thing starts back at the initial material production phase. Although the metallurgical goods have all the necessary components, they are often poorly produced and nonuniform on top of that. For example, forging. The defect here is inaccuracy of shape, excessive differences in hardness, and insufficient durability. This testifies to poor hot working. We find poor quality in deep drawn sheet metal used for stainless steel strip and brass strips, imitation leather materials, foils, and so on. The castings are not much better. This causes problems in the plant which processes such materials and partly finished products, and if it goes on for an extended period, it develops among workers the conviction that "...with this you can't make anything good anyway." In practice the final producer, although he is sometimes at fault too (this applies mainly to carelessness in installation) faces this alternative: let goods with imperfections slip through, or hold up production for some time and ruin the plan. The matter is somewhat simpler if the producers of the goods are in one ministry. Then intervention is more effective. Otherwise, there

is no effective possibility for intervention, and the problems are multiplied. But it is particularly bad when we are dealing with a single monopolistic supplier.

[Question] Why is it that using the same components, the same raw material, you can make a good product one time and "junk" the next?

[Answer] Among some people there prevails the view that state-owned means that it does not belong to anyone. For some people socialism is associated mainly with the right to work and the right to social or health care, and far less with the need for honest reliable work. Carelessness and failure to adhere to technical and technological norms are creating increasingly greater losses, because as the years go by the means of production are being modernized. Other causes include the lack of imagination, inadequate familiarity with the production profile, and the belief that "somehow it will all work out." The effect of this is the still excessive "unfinished industry," that is, of those plants which have certain basic shortages of machinery and scientific-technical equipment. In such situations the good intentions of both the engineering and technical personnel and of pure production employees fail to produce results, because in technology, especially modern technology, there are no miracles, because if, for example, the production process requires 15 different pieces of equipment, a factor which is determined by the technology, then the process cannot be run on 12 pieces of equipment, even given the personnel's best of intentions, and overtime will not do anything either. Of course, I am assuming the whole time that the technology has been well developed and that there are no mistakes in the "engineering art." It must finally be remembered that appropriate warehouse support, transport, and so on also influence production quality, because it is hard to expect high quality in the final product, if the partly-finished products are stored outside or in makeshift warehouses, in addition to being transported by improper vehicles.

[Question] Going back to the beginning, what about investment decisions?

[Answer] Unfortunately, at this stage we are making a number of errors. At present, for example, priority is being given to so-called modernization investments. This concept has many virtues, but too often it is treated mechanically.

For example, in contrast to some countries which have appropriately specialized, flexible industrial construction (that is, halls suitable for changing the production assets or appropriate industrial installations, and so on, in them), we basically do not have any such installations. We must add to this the fact that such steps in our country are usually taken in an active plant, which as an added factor cannot possibly have a positive effect.

[Question] Here you touched on questions of the technical preparation of production and such work organization that will eliminate errors even with a weak staff. The thing is all the more important in that industry is feeling a shortage of labor.

[Answer] Theoretically automation is the main thing to rescue us, but in our industry, given the limited production scale and series repetition, reduced raw materials base, and so on, full automation is not possible, because it is too expensive. This is also why a great deal will continue to depend on man directly and on the application of those mechanisms which make poor work unprofitable. One of them, a basic one, should be the introduction of strict quality control at the moment parts and subassemblies enter final production. It is better once we detect an error to hold up production in the plant producing the given subassembly than later to upgrade the final product or withdraw it from the market.

In relation to direct producers, for example, we could introduce the principle that an employee is not paid for work poorly done, and at the same time he could be charged for the wasted material. Many of our plants have a rather modern set-up of machinery and very expensive equipment. The production of poor-quality goods is a waste of not only this equipment but to an equal extent, of initial materials, raw materials, and so-called processing capacity.

[Question] We are always talking about producers, but quality is also made up of construction ideas, properly set-up work stations, and so on. This is then the domain of the scientific and technical support of the industry, engineers, and production managers. To just what extent are these very groups responsible for the quality problems of the automotive industry.

[Answer] The judgment is not easy, because construction design is a special sort of art. Nonetheless, my observations and experience show that in most instances our designs are correct and usually assure good quality, within the assumptions, but it does happen that the designer relies on available material, appropriate assemblies and details offered in the catalogues by our producers, and sometimes these latter later do not guarantee their materials or details in terms of either quality or quantity. Hence, we are often forced, despite the target assumptions, to import such elements. It is essential to generally tighten up the requirements, to discharge the obligations undertaken absolutely, and even to adopt more severe penalties concerning not only directors but, above all, employees. It also seems to me that a great deal remains to be done in the area of monitoring the technical norms in effect. For example, we must improve the quality of initial materials and partly-finished products.

[Question] Let us get back to personnel...

[Answer] A weakness of our engineering-design personnel is rather frequently on the one hand excessive fantasy and the desire to use super-new solutions which require many imported elements and, on the other side, the opposite phenomenon, so-called crippling adherence to norms. In the interest of justice it must be added that rather frequently many of our designs, successful and proven, in time become subject to various sorts of alleged "upgrading and improvement" processes, whose authors are sometimes people without adequate preparation or sufficient knowledge. In many of our plants matters related to rationalization and the introduction of various sorts of piecemeal changes have taken a bad turn. Each of us is an advocate of the continual improvement of designs, technologies, and various production operations. But this must take place with consideration given to the whole product, its purpose, useful functions, social suitability, and so on, because in practice it sometimes turns out that savings in a small sector later produce losses running into many millions, losses which indeed are usually covered from another "paragraph," but losses nevertheless.

[Question] But how does all this fit in with car production? What sort of matters most often keep you awake, and is there no danger that such a situation may turn into chronic insomnia?

[Answer] The thing is operating on two planes. One concerns the future, the other, current problems and related difficulties. I am most concerned with matters concerning the new model and future new variations in our automobile. New designs and new solutions, other methods of production, the preparation of a machinery hall, the development of cooperating plants, the desire to plan processes so that the influence of human error will be as small as possible. These are only some of the matters which sometimes really do keep me awake. On the other hand, in current production the greatest worries are caused by subjects such as the following: low quality of gaskets and subassemblies, the lack of uniformity in their quality, initial materials which are not always of proper quality, and so on. The increase in these difficulties comes in cycles. For example, we had problems with alternators, brake clamps, and starters, which previously had been excellent. We are doing everything to eliminate this. We are also giving a great deal of attention to eliminating installation errors, combatting carelessness, neglect, and thoughtlessness, because often a small inaccuracy from the standpoint of a dozen and some thousand operations and installation steps, later causes big problems for servicing and for the car owner. FSO is not a factory built now in open country for the Fiat 125P. We are a plant which has been undergoing modernization for many years, and this continues to interfere with the production process. I am not talking about this to justify the problems we are facing, for after all there was no other way to develop the plant, but so that we will be aware of the mechanism of this living organism represented by the car factory.

[Question] In your opinion what should be done to make these living organisms function better and produce cars which people will be satisfied with?

[Answer] The question concerns a matter which is very complex and difficult, especially since in our country often everybody is a physician, an economist, and author of marvelous concepts, and so on, but with respect to the issues in the technical realm, limiting it to a certain group of goods, we can attempt to mention a few important matters. It seems to me that it is very important to tighten up the quality criteria at the stage of production preparation, including absolute assurance of materials and subassemblies for the entire period of production, and later for the extension of the series of goods produced. Then we should tighten up the conditions for taking delivery of materials and provide for strict adherence to these conditions back during the course of production of the material and substantial limits on so-called deviations in the course of production. The use of automation wherever economically possible, economically profitable, and useful from the viewpoint of technological needs or improvement in work conditions are the next important issue. Of no less significance is the substantial improvement of the quality of tools produced, such as cutting tools, and the development of the instrument support in the various plants.

[Question] So then what can we promise the FSO auto factory customers?

[Answer] These efforts will only bring about a clear improvement, if at the same time we put an end to tolerating poor work, to the practice of "getting out of" the blame, hiding behind "objective difficulties," and the lack of concern for the plant's good name. Unfortunately, the complete solution to the problem of quality will not come except in keeping with an increase in car production, when the consumer market will dictate the conditions and not the producer's market, as in the past. Many of our plants owe the good quality of their goods to the hard requirements set by foreign customers. And here it has been proved that a lack of tolerance bears good fruit.

10790
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PROBLEMS CITED IN EXPANDING CORN CULTIVATION

Warsaw ZYCIE GOSPODARCZE in Polish No 43, 23 Oct 77 p 6

[Article by Jerzy Kucharz: "Fifth Basic Grain"]

[Excerpts]

60 Quintals Per Hectare

Corn, if rationally and intensively cultivated, yields the highest crops in terms of fodder units, second only to sugar beets. When correct agricultural engineering procedure is followed, corn grain yields in excess of 60 quintals per hectare already are not exceptional in our country.

In 1974, when modern comprehensive technology for grain-oriented cultivation of corn was first applied in the state agricultural farms, average yield was 46.2 quintals to the hectare. At the same time in the state farms of the Leszno province the yields exceeded 53 quintals per hectare, that is, they were 19 quintals higher than the yield of 4 basic grains in that area. At present, private farmers in the Leszno province also obtain an average 60 quintals of grain per hectare.

Poland's agriculture owes a great deal in this area to the scientists from the Smolice station of the Institute for Plant Cultivation and Acclimatization [IHAR] who have been working for many years on growing high-yielding corn hybrids. Their efforts were crowned by the introduction into agricultural practice of such varieties as IHAR-260 and IHAR-262. Beside the IHAR station in Smolice, corn cultivation is the business of the plant growing station directed by engineer Antoni Jakacki, located in Mikulice in the Przemyśl province, and ZHR [Plant Cultivation Facility] in Kobierzyce near Wrocław. Mr. Jakacki conducted plant cultivation work in Kobierzyce in the past and his present successor is agricultural engineer Zbigniew Kurczyk.

The plant cultivation station in Kobierzyce, more precisely, corn growing station, is a domestic potentate. It is here that Poland's only seed production plant is located, annually providing about 1,200 tons of corn seeds. The Kobierzyce station has developed for the agriculture the Kb-310

forage-designated corn seeds, reproduced in cooperation with Hungary and equaling Europe's best French varieties in quality, as well as the Kb-280 (a universal variety). Recently, the Kobierzyce growers submitted two new varieties for registration, and they have six others in research stages. However, the annual seed-production capacity at Kobierzyce is only 1,200-1,300 tons, while our agriculture currently needs 24,000 tons and it will need as much as 42,000 tons in 1980.

Demand for Seeds

Up until now corn planting in our country was based in practice on imported seeds. The domestic production was unreliable since Poland is intersected by the northern boundary of corn cultivation. However, in recent years, due to the emergence of difficult climatic conditions for the European agriculture, our suppliers were unable to meet their obligations in full. A majority of imported seeds is as a rule represented by late-maturity varieties that give high yields of green mass only. Attempts to acclimatize Yugoslav varieties in our country have been unsuccessful. Only the corn seed imports from France, undertaken a few years ago, enabled us to break out from the impasse in domestic production of corn seeds. Of course, we have not given up the cooperation in seed production with the Soviet Union, Hungary, and particularly Yugoslavia, where the area of corn reproduction increase every year. However, no less than 10 French varieties are grown for grain at this time in Poland.

We will not exaggerate by stating that the French varieties imported to Poland indeed had a decisive influence on the expansion of the acreage of corn raised for grain. In 1974, the combined acreage under corn in Poland was 389,000 hectares (including 315,000 hectares in the state farms), but only about 5,000 hectares were planted with corn for grain. In 1975, 453,000 hectares were under corn, of which 14,000 hectares were designated for grain. In total crop acreage corn represented 3.1 percent (15.7 percent in the state farms, and a mere 0.5 percent in the private farms). Grain harvest increased from 11,000 tons in 1970 to 69,500 tons in 1975 (from 1.8 to 55,700 tons in the state farms), while the green mass rose from 5,700 to 17,600 tons.

The present domestic seed production covers a little more than 5 percent of the demand. In order to increase this capacity independently of the growing imports, a decision to build new seed facilities was adopted.

The Kobierzyce Traditions

The new seed facilities will be successively established in the following localities: Kobierzyce and Sroda Slaska, then Gostyn or Gola in the Leszno province, and Lewin Brzeski or Gracze in the Opole province. Kobierzyce was

chosen ultimately because of climatic and soil conditions and its tradition in growing seed corn. At present, its seed corn plantations occupy nearly 600 hectares, and about 160 hectares of cultivation plots are spread on the land of nearly 200 private farmers (owing to manual harvesting). According to the new guidelines, the Kobierzyce facility will have its support base in the SHR [Plant Growing Station] Polwica, Kobierzyce, Sadkow, Magnice, ZSD [Zootechnical Experimental Facility] Czechnica, with a combined total of 1,700 hectares. The facility in Sroda Slaska will similarly be supported by the combined state farm in Chwalimierz, Rakoszyce, Udanin, and Kunice, jointly 1,800 hectares under corn.

Corn growers started with the assumption that the share of corn in the crop composition can amount to 10 percent or more. Their position was contested by the representatives of the PPGR [State Enterprise of Agricultural Farms] who claimed that seed-corn growing would conflict with forage-corn growing, since in the designated areas the state farms' cattle stock exceeded 100 SD [Expansion unknown] per 100 hectares. Moreover, pig-raising stations were being expanded and the hog population was on the increase. Arguments were advanced that seed-corn growing would result in reducing grain and oil plant growing, and, ultimately, the need for importing fodder crops and protein foods to these areas. Finally, it was claimed that seed-corn growing may prove economically shaky for the farms because of the low prices and high risk involved in growing corn for seeds, which, if actually grown despite all the objections, should at least be covered by the risk fund (applied in the production of garden plants) with the price of seed raised considerably.

Conceding that the last of these claims is to a certain degree justified, as it was in fact taken into consideration in the governmental decisions, the previous ones appear at least strange. Everybody, particularly the practitioners of agriculture, agrees that corn allows us a great opportunity in the period of accelerated livestock production. Yet this evident truth is at times screened by old habits and fear of what the "new" can bring. But this is only a part of the truth. In point of fact, expansion of corn acreage including seed-corn is hampered by the scarcity of specialized equipment for planting to cultivation to harvesting to storage.

Grain Harvesting--By What Means?

Aside from forage harvesters and field chaff-cutters, available in amounts that, though still insufficient, can in part meet the most urgent needs of silage corn harvesting, we are particularly plagued by the lack of grain harvesting equipment. This was vividly illustrated by last year's machine harvesting of corn, with 360 [sic; probably 360,000] hectares harvested for silage and only about 12,000 hectares for grain. It is true that under these conditions our own Bizon tractors, equipped with a Hungarian device

for corn harvesting, proved to be invaluable, but their successful use is largely dependent on "hitting" the correct moment of seed maturity.

Corn grain, generally containing 30 to 40 percent water, is crushed if excessively humid or bursts in combine threshers if too dry. At the same time, the number of imported combines and pickers is no greater than several hundred. In this situation there appears to be an urgent need for the Plock designers to develop a special version of the combine for corn-grain harvesting. Drying presents even greater difficulties, since, as we mentioned above, corn grain has substantial moisture content in Poland.

This year our state farms were somewhat better stocked with single-seed drills for planting corn and sugar beets. Yet their number is still inadequate, which is a problem of considerable importance. In 1976 alone we spent more than 54 million foreign exchange zlotys to purchase corn seeds abroad, while their world prices continue to grow regularly. Comprehensive use of single-seed drills, combined with proper agricultural engineering, reduces seed consumption: by up to 30 kg per hectare, or nearly one-third less compared with the current-standard, in grain-designated crops, and up to 40 kg, or almost one-half, in silage-designated crops.

Until recently, the scantiness of machinery allotted for corn harvesting was not as acutely felt as it is now. Despite the continual expansion of acreage, corn growing was only supplementary to the traditional fodder base. However, in plans through 1980, corn plantings are to increase from 670,000 hectares in 1977 to 1,200,000 hectares in the target year, including 500,000 for grain crops. An acreage of this order poses definite requirements on the technology, engineering, and organization, in which equipping the agricultural system with specialized equipment represents only a part of the problem.

For example, we are now importing more than 70 percent of the herbicides allotted for corn cultivation. We do not domestically manufacture repellents for birds and boars, indispensable in the intensive cultivation of this plant. Although in 1980 five new valuable hybrid varieties will be provided by domestic growers and the country's seed production will increase from the present 1,300 to 12,000 tons, with the reproduction of seeds in collaboration with the CEMA countries simultaneously rising to 8,900 tons, we will still have to import approximately 31,000 tons of seed, of course, in top quality, high-yielding hybrids with a short vegetation period.

Implementation of the government's program of increased corn production through 1980 involves no less than eight ministries and central-level offices. Additional investment was also allocated for the expansion of a number of industrial plants: the Agricultural Machinery Factory in Kutno, and the Agricultural Machinery Combined Plants in Poznan, linked with the "corn program."

The accelerated implementation of the governmental program is manifested by the signing of a contract with the Austrian company HEID for delivery and assembly of the first two seed-corn preparing stations of 3,000 tons yearly capacity each. The Polish partner, specifically the Wroclaw Plant-Growing and Seed Production Enterprise, immediately set to ground breaking and construction work, using its own crews in Kobierzyce and Sroda Slaska. The deadline for putting both stations into service with full technology and production engineering has been jointly determined with the HEID company for 15 October 1978.

At this time, we can already say that the implementation of the program is going to accomplish a major permanent breakthrough in the Polish agriculture's crop composition. The term "fifth grain" has already started to take on a realistic ring.

8795

CSO: 2600

FUTURE ECONOMIC STRATEGY FOR DEVELOPING COUNTRIES OUTLINED

Bucharest REVISTA ECONOMICA in Romanian No 36, 9 Sep 77 pp 24-25

[Article by I. Barac]

[Text] In working out the International Strategy for the Third Decade of the United Nations for Development (1981-1990) it is natural to take into consideration the experience, results, and deficiencies of prior strategies, the new world economic and political-social conditions, the conceptual evolutions in the economic policies of states, and the research and forecasting estimates involved, all this in light of the needs for building up a new international order, capable of ensuring adequate living conditions to all the inhabitants of our planet.

Consensus on Major Factors

Any attempt to outline the elements of the strategy for the next decade of development is a task which is both easy and difficult. It is easy because we already have many points of support and arguments in the formulation or definition of the various factors of the new strategy. In the last two years alone, important documents were adopted within UNO's framework. They contain many objectives for the economic and social development of developing countries in the following years, even up to the year 2000. These documents include: the Declaration and Program of Action on the Establishment of a New International Economic Order (adopted by the UN General Assembly in 1974), the Declaration for a More Just and Better World (adopted by the World Conference on Population in 1974), the Declaration on the Eradication of Hunger (adopted by the World Food Conference in 1974), the Declaration and Plan of Action on Industrial Development and Cooperation (adopted at the Second UNCTAD General Conference in 1975), the Declaration of the World Conference on the Utilization of the Work Force, Distribution of Incomes, and Social Progress (adopted in 1976), the Guidelines Outlined by the UN Conference on Human Settlements (in 1976), the UNCTAD IV resolutions (in 1976), and so on.

On the other hand, this attempt to outline the objective for economic and social development for the 1981-1990 period and the avenues to achieving these objectives is a difficult task because of the magnitude and intricacy of this global development program and the unpredictable factors which might appear. We must take into consideration the fact that the implementation of the next strategy and the achievement of the objectives actually depend on the attitudes of more than 100 states.

In examining the stands voiced by various states and groups of states and the stands expressed within various international economic and political quarters, we may state that there already is a broad consensus on three, major, and essential components of the world strategy for development: in the first place, the national development policies, in the second place, the expansion of cooperation and mutual aid among developing countries, and in the third place, cooperation between the developed countries and the developing countries for the purpose of supporting the economic and social development of the last-mentioned. In comparing this course with the course which underlay the formulation of prior strategies, for the first (1961-1970) and the second development decade (1971-1980) respectively, we notice the tendency to placing a far greater emphasis on the national strategies and the economic cooperation among developing countries which has asserted itself recently as a new facet of international cooperation for development. Of course, this new orientation does by no means diminish the role of cooperation between the developed countries and the developing countries and the significance of the assistance which the first-mentioned can and must offer to the lagging countries. However, in a way, this orientation is the outcome of the debates and conclusions of economic meetings of recent years, which have forcefully pinpointed the primary importance of the developing countries' own efforts to achieve their economic and social development and the benefits of the furtherance and diversification of economic and technical cooperation among developing countries.

Having made these specifications, we shall try to outline the major factors which, in our opinion, should provide the basic framework of the International Strategy for the Third Decade of Development (objectives, projects, and measures on a national and international scale).

National Development Policies

Why should national development strategies (policies) be part of an international strategy? Of course, it is not a matter of internationally formulating national development plans and programs for the developing countries. It is the right and duty of each of these countries to choose its own path of development, to outline its goals in the context involved, and to formulate specific national

plans for economic and social development, in accordance with the interests and aspirations of its people. This, however, does not mean that some suggestions and recommendations on the national development policies cannot be incorporated into an international strategy, with, naturally, each developing country being free to consider them, to some greater or smaller extent.

The incorporation of some recommendations on national development policies into the international strategy for the next decade is based on the similar concerns and interests of developing countries and on the natural wish of these countries to creatively use the experience gained in the economic and social development of states on a world scale.

a. A Few Essential Arguments

In the report given this year to the Eighth Special Session of the Council for Trade and Development, UNCTAD secretary general Gamani Corea pointed out the needs for incorporating into the international strategy for development a first chapter on the national policies involved, with emphasis on the essential ideas. In the first place, it involves the fact that although between the developing countries there is a wide diversity in terms of their types and strategies for development, these countries nevertheless have many points in common. As a result of historical development, most of them were colonies, and therefore their economic structure was oriented so as to meet the economic needs of the colonial powers and not the needs of their peoples.

In the second place, economic dependence on the former metropolises resulted in the genesis and preservation, in many developing countries, of obsolete institutional structures which hamper the occurrence of economic and social changes. This dependence has resulted in the delayed transformation of society in general and in an economy only capable of meeting the elementary needs of the people.

In the third place, because of the vulnerability of the development process which is dependent on foreign economic exchanges, a vulnerability which has also made itself felt in recent years, many developing countries have been encountering serious difficulties in consequence of the crisis phenomena in world economy (the economic recession in developed capitalist countries, the price fluctuations on the world market, the changes which took place in economic and trade policies of Western countries, and so on).

In light of these factors and of the conceptual deficiencies of the strategies used so far, in the developing countries there has been a growing need for strategies which should permit their overall and harmonious economic and social development, the strengthening of

their economic independence and security, and the reduction of their economic dependence on the developed countries. For this purpose, the developing countries must seek new avenues and forms of development based primarily on national efforts, with foreign assistance only supplementing the domestic resources.

b. Orientation Toward Reducing Dependence

In order to reduce their dependence on the developed countries, the developing countries must use strategies which ensure the effective and full mobilization of their material and human resources, including the development of their national scientific-technical potential. To this end, in many developing countries economic and social institutional reforms are needed. Therefore, the Strategy could provide for the decision of the countries involved to work for the completion of agricultural reforms, for a better distribution of incomes, for the adoption of regulations which protect their independent economic development, and so on. These reforms must make it possible for the countries involved to fully mobilize their resources and wisely and effectively use these resources so that they may achieve a radical transformation of the economy of the country involved, the modernization of the structure of this economy, and the provision of benefits for all sections of the population.

Of course, a strategy for development based on greater economic autonomy and lesser dependence on the developed countries does not mean a tendency toward autarky. However, it is a matter of accomplishing specific radical changes in a number of countries, in the economic structure and in the geographical orientation of trade exchanges. The mobilization and effective redistribution of resources in favor of productive activities focusing on meeting the domestic needs of developing countries, will, in the opinion of UNCTAD experts, result in structural changes in production and consumption and in the pattern of exports and imports of these countries. Furthermore, their orientation toward a strategy of independent economic development will result in brisker exchanges of goods and services between developing countries and this will help to pinpoint their major prospects for mutual aid in doing away with their condition of underdevelopment.

On a world scale, it is now being assessed that a strategy of independent development is indispensable for meeting the essential needs of developing countries. The Program of Action adopted at the World Conference on the Utilization of the Work Force in 1976 the idea was accepted that the satisfaction of the individual's basic needs (food, dwelling, health, and education) must be one of the fundamental elements of national development policies. This pres-
singly involves the considerable increase in the industrial and agricultural-food output, the development of infrastructure and social services, the democratization of education, and so on.

In light of these considerations, the chapter on the national development policies of the International Strategy for the Third Decade of Development 1981-1990 should specify that each developing country should formulate, according to its specific economic-social conditions, national strategies and plans which include objectives for economic and social development and the methods for achieving the objectives involved. These objectives will focus on the increase in the country's productive forces, the diversification and modernization of the economic structure, harmonious, well-balanced, and rapid growth of all the economic and social sectors, and the growing satisfaction of the people's living requirements.

c. Rates for Reducing Lags

In regard to the rates required for the more rapid achievement of the objectives, we feel that it might be necessary in all developing countries for the gross national product to increase in the 1981-1990 period on the average by 8 percent yearly (versus 6 percent planned for 1971-1980) and the per capita national product, on the average by 6 percent yearly (versus 3.5 percent). If these goals will be achieved, the lead of the developed countries over the developing countries might be reduced from 13:1 now to under 10:1 in 1990.

The attainment of the above-mentioned rates of increase in the national product involves greater efforts of all developing countries to increase their industrial output on the average by 10 percent a year (versus 8 percent planned for the second decade of development) and their agricultural output by 6 percent (versus 4 percent anticipated for the 1971-1980 period). If each developing country increases its agricultural output on the average by 6 percent a year, food security for all the people could be ensured, respectively a minimum of 2,500 calories and 100 gr proteins a day. As for the realism of this goal, we emphasize that according to international statistical figures, only about 45 percent of the agricultural lands in developing countries are utilized and in 1974 the average per capita grain output was only 201 kg versus more than 1,000 kg in the United States.

Moreover, the increase in industrial facilities and the modernization and diversification of industrial production would permit the boosting of exports of manufactured and semi-finished goods by more than 10 percent in many developing countries. In this manner, the proportion of these products in the total exports of developing countries could increase on the average by 2 percent every year of the next decade. This would permit a more active involvement of these countries in the international division of labor and in the world economic flow.

In light of the importance of modern science and technology as factors of development, the developing countries must pay special attention to developing their scientific-technical potential, rapidly introducing the modern scientific and technological gains in production, adapting the new techniques to the specific conditions in these countries, upgrading the domestic technologies, advancing the technical and qualitative standard of all economic activity. In order to increase the number and improve the training of specialized cadres, the developing countries must take firm steps to eradicate illiteracy, develop all forms of education, organize it on scientific basis and connect it closer and closer to the gains of development, for the democratization and upgrading of public education, and for including all school-age children in one or another form of education.

The achievement of the above-mentioned objectives primarily depends on the domestic efforts of the developing countries. This involves their opting for the financing of their economic and social programs, for an accumulation rate appreciably higher than the 20 percent anticipated for the Second Decade of Development (1971-1980). The maintenance of this rate, however, could only provide a growth rate of about 4-6 percent for the national product. In this context, the lead of the developed countries over the developing countries instead of diminishing would increase even more and would have adverse effects on the economic and social progress of the peoples involved.

In stepping up their efforts to reduce the lead of the world's developed countries over them, the developing countries also must work to eliminate the excessive discrepancies in the distribution of incomes between the various strata of the population. According to statistical figures provided by the World Bank, in most of the developing countries, one-fifth -- the richest -- of the population avails itself of 55 percent of the national income, while the poorest one-fifth receives less than 5 percent. Moreover, a recent FAO survey shows that one-fifth of owners -- the richest -- of lands have 50 or 60 percent of the arable lands. Hence, it is estimated that 40 percent of the population in developing countries is very little involved in the growth of the national economy and does not receive the portion of this growth to which it would be entitled. Therefore, the reduction of the lead of the developed countries over the developing countries and the more equitable distribution of the benefits of growth on a domestic scale, so that adequate standards of living would be ensured to all the population of our planet must be basic objectives of the Third Decade of Development (1981-1990).

EVIDENCE OF INCREASE IN PERSONAL INCOME EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 36, 9 Sep 77 pp 6-7

/Article by Dan Popescu/

/Text/ In the mining industry, a miner with a net base pay of 3,000 lei monthly after the first stage of pay increase receives a plus of 750 lei, that is a monthly pay of 3,750 lei.

In the machine building industry, a foreman with a net monthly income of 2,860 lei after the first pay increase receives a plus of 506 lei, that is a monthly pay of 3,366 lei.

In the ferrous metallurgical and coking chemical industry the pay increases in the first stage range from 265 to 504 lei for skilled workers and from 196 to 280 for unskilled workers.

A twon employee with a net pay of 2,620 lei, with three children to support, until 1 September received 110 lei in allowance for the third child. In the new context, he receives an allowance of 375 lei and when the full increase is applied he will receive an allowance of 420 lei, hence 265 and, respectively, 310 lei more. Added to this increase is the rise in the pay which may go up to 522 lei. Consequently, as a result of these factors alone his family budget increases by about 800 lei a month.

Proceeding from the direct link which exists between the greater qualitative and quantitative growth of the economy and the growing improvement of the living conditions of working people and assessing the results of this five-year plan, our party and state leadership this year took measures to additionally increase the pay and other incomes and the standard of living of the people. By its important features and by its provisions which have begun to materialize, the program adopted reflects the new and significant scale of the party's constant concern to improve the material and spiritual well-being of all the people, to raise the level of civilization of our society, and to provide new conditions for the fullest possible asserction of human individuality.

We shall try below to examine a few aspects of these lofty goals which once more highlight the vigor of the Romanian economic growth and the warm humanism of the entire policy of building a multi-laterally developed socialist society in our country. We shall focus on a basic facet of the improvement of the people's standard of living, a complex indicator which directly or indirectly reflects all of Romania's economic-social development, namely the increase in working people's incomes.

A significant factor of the projects undertaken by our party and state for the improvement of the material and spiritual well-being of the people under this five-year plan primarily involves the superior basis which underlies the important increase in the working people's incomes. In order to illustrate the dimensions of this basis we must point out that during the 1951-1975 period the real pay increased by a factor of 4.8 and the total real incomes of the population, by a factor of 6.4. The last 10 years of this period were the major factor of this increase. The approach to increasing the people's incomes by proceeding from this high level fully attests the profoundly scientific party policy of economic development, aiming at combining the present and future interests of working people and spotlights the value of the great structural changes under way in our economy.

In regard to the rise in the working people's incomes under this five-year plan, the comprehensive nature involved is outstanding. All the categories of working people are thus entitled to the pay increase. Moreover, provisions have been made, in relation to every working person, for a significant increase -- 33 percent -- in the average real incomes of the cooperativized peasantry and for a 16 percent increase in the real incomes of the peasantry in the noncooperativized areas. Furthermore, provisions have been made for a significant increase in the state social insurance pensions -- 23.3 percent, also for a 20 percent rise in the pensions of cooperative farmers, and for the establishment of a pension system for peasants in the noncooperativized areas. These projects clearly reflect the constant concern of our party and state for providing all the people, working people all over the country, with higher incomes and thereby better material and spiritual standards of living.

A significant factor in this context of concerns for improving the people's standard of living involves a greater rise in the pay, in the direct incomes of working people, than anticipated originally in the five-year plan (Table 1).

The change -- in favor of direct incomes -- of the relation between these incomes and the incomes resulting from the social consumption funds does not diminish the role of social funds as an important source of improving the material and spiritual standards of the people. Against the background of the serious social phenomena which prevailed in former Romania -- illiteracy for about one quarter of the country's population, lack of adequate health care,

ravaging social diseases, and so on -- whose eradication meant a sad inheritance in the country's progress along the road of the new society and in the context of the requirements for raising human standards under socialism to a far higher level and of the needs for the multilateral realization of the human individuality, the social consumption funds have been significantly growing. For instance, it is significant that during the 1951-1975 period, the per capita social-cultural expenses went up by a factor of 11. Under this five-year plan the state expenditure for the social needs of the people stands at 385.6 billion lei, about 44.1 percent more than under the prior five-year plan.

Table 1. More Rapid Increase in Working People's Direct Incomes

<u>Indicator</u>	<u>% Increase 1980/1975</u>	
	<u>Five-Year Plan Level</u>	<u>Current Level</u>
Average net nominal pay of personnel	29.5	38
Average real pay	18-22	30.2
Real income of peasantry for each working person	20-29	30

Undoubtedly, in the context of reaching these high levels for the social consumption funds, the greater increase in the pay, in the direct incomes of working people is fair and stimulating. In the spirit of socialist ethics and equity it more closely relates the incomes obtained from everyone's own activity to the importance and characteristic of the work done, to its degree of skill, and other factors, hence upgrading everyone's efforts to improve one's training and perform with utmost energy for the exemplary fulfillment and overfulfillment of one's tasks.

Against the backdrop of the significant overall increase in the pay and incomes, in the spirit of socialist ethics and equity, the rise in the pay of working people was formulated with the focus on the natural need for the wisest possible consideration of the pay in relation to work, to the direct involvement of each individual in the development of the economy. Hence, provisions have been made for the greater increase in the base pay of working people in the mining sector, building-assembly, metallurgical, machine building, chemical, textile, and leather industries and in the pay of workers in cement, sugar, and oil factories, in the pay of assemblers and operatives of equipment on construction sites, in economic branches and sectors with tougher jobs, characterized by a significant involvement in the progress of the economy. Moreover, in light of the important role of foremen in production, they have been transferred to the category

of productive personnel, with the greater base pay involved.

As early as 1 July 1977 large groups of working people began to receive higher pay in the first stage. For instance, as from 1 August the pay of workers in the mining industry was increased -- 20 percent, the highest percentage of rise in pay for the entire economy, and the pay of workers in the machine building and metalworking industries, 17.7 percent. Throughout the five-year plan in these two sectors the total increase in pay will be 35 percent and 31 percent respectively. The beginning of this month saw the increase in the pay of personnel in another important economic branch, ferrous and coking chemical metallurgy. It practically was the doubling of the average pay in this branch as a result of successive rises in the last 12 years and under this five-year plan there will be an 18.8 percent pay increase in the first stage and 33 percent for all the five-year plan. According to estimates, about 3.5 million people will receive the first pay increase by the end of this year and all categories of working people will receive this increase by 1 September 1978. Moreover, we must emphasize that in addition to the increase, the rise in the pay also involves the promotion of personnel to higher levels and grades, the granting of the seniority increase, the extended use of the overall contract system, and so on.

These are accomplishments which must provide new and important opportunities for mobilizing working people to fully implementing the production plan, for each individual product, to turning out extra outputs of great economic use, to continuously raising the technical level of production, to improving output quality, to more significantly raising labor productivity and cutting materials expenditure and operating costs. Because the source of greater increases in the pay and incomes anticipated precisely involves extra outputs, the planned reduction of investment expenditures, and the sharper decrease in the material and financial efforts required for obtaining the output. In his recent speech given in Brasov the party secretary general stated: "We must not forget that the society which we are building is accomplished only by work, by the concerted efforts of all working people, regardless of nationality, that it depends on the manner in which all our people will act to implement the development program."

The concern for the young generation, for its growth and development significantly pervades the efforts of the party and state to improve the standard of living of the people. The facilities provided to pregnant women, the thousands of specialized health care units, the hundreds of thousands of additional places in day nurseries and kindergartens, the modern schooling system which is expanding increasingly, and the comprehensive cultural programs are telling expressions of the party policy of furthering family well-being, a healthy material and spiritual climate for the molding of the young generation. As emphasized by Nicolae Ceausescu, the ensuring

of the raising of a new, vigorous and physically and spiritually healthy generation is "the expression of the highly responsible work of the communist party to secure the future of our socialist nation and its progress through successors who are capable of raising it to the high peaks of communism."

A facet of this content includes the granting of the state allowance for children, the allowances for mothers of large families, and other allowances which are proof of the care for the youngest citizens of the country. In 1969, 1970, and 1972 the state allowance for children increased successively while the granting system was also upgraded. The Program for Increasing the Pay and Other Incomes, the Standard of Living of the Population Under the 1976-1980 Five-Year Plan provided for a significant rise in this allowance and in the above-mentioned allowances and a new and major improvement in the granting system.

For instance, the state allowance for children will increase, on the average, 30 percent under the five-year plan. Half of this increase will occur as from 1 September 1977 and the other half during 1979. The upgrading of the granting system is reflected in the fact that under the current provisions the number of the families which qualify for this important cash allowance from the state will increase considerably (Table 2).

Table 2. Change of Some Terms for Granting the State Allowance for Children

	Ceilings of Net Monthly Incomes (in Lei)		
	<u>Up to 2196</u>	<u>2196-2600</u>	<u>2601-3400</u>
The granting of the state allowance for children in accordance with the provisions in force up to 1 September 1977	The allowance was received beginning with the first child	The allowance was received beginning with the second child*	The allowance was received beginning with the third child
The granting of the state allowance for children in accordance with the new provisions	All the categories of personnel receive the allowance beginning with the first child**		

* With the exception of workers and foremen

** Taken into consideration is the maximum ceiling of monthly incomes of 3400 lei in the case of personnel with the pay still not increased in the first stage and of 4000 lei in the case of personnel who received the pay increase in the first stage.

The overall scale of the state efforts to support these provisions is reflected in the 3 billion lei additionally appropriated annually for this purpose, including more than two-thirds for the general increase in the children allowance. These are superior conditions provided by the state for the raising of the young generation, which directly help to upgrade family well-being. In its turn, the implementation of these provisions involves joint efforts to fulfill and overfulfill the tasks on every job.

Our socialist economy is a planned one whose development is fully substantiated, in the context of strict control and proper supply in all sectors. This provides a fully material basis to implement the provisions for the rapid increase in the pay and incomes of working people. On the one hand, the increase in incomes is accompanied by the quantitative and qualitative rise in the output of consumer goods and by the expansion and upgrading of services, sectors in which tasks which are greater than those under the five-year plan are evident: from 47.5 percent to 52.1 percent and from 68.6 percent to 75.3 percent respectively. In other words, on the basis of these guidelines, both on an a priori basis and in the course of the implementation of the plan, the solvable demand is balanced with the volume and structure of goods and services supplied to the population. On the other hand, specific tasks of reducing operating costs are outlined.

In this manner the state ensures the maintenance at the determined level -- and even below this level -- of the prices for consumer goods. It is significant that last year, versus an increase of 1.6-2.3 percent in the price index, this index only went up 0.9 percent; during 20 months of this five-year plan the price increase was almost 1 percent below the forecast for the period involved. This balance, this stability in the country's development -- characteristic features of this development and not circumstantial effects -- make it possible for working people to directly benefit of the results of their work and tangibly and fully benefit by the party policy of improving the standard of living. While in countries of the capitalist system there is a strong slowdown of economic growth, while inflation endemically accompanies recession, seriously reducing the purchasing power of the masses, and while in these countries there is a high unemployment rate, the measures taken in our country to rapidly increase the pay and incomes of all categories of working people, with tangible and comprehensive effects in improving the standard of living, even more forcefully highlight the superiority of our socialist relations of production, the durability of Romania's socialist development, and the country's radiant present as a basis for brighter and brighter prospects.

11710
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PERFORMANCE, RESPONSIBILITIES OF TRANSPORT SECTOR REVIEWED

Bucharest LUMTA CFR in Romanian 12 Nov 77 pp 1-2

[Article by Eng. Constantin Iancu, chairman of the Committee of the Union of Trade Unions in Transportation and Telecommunications]

[Text] The breathtaking goals outlined by the 11th Party Congress also involve greater and highly responsible tasks for transportation and telecommunications trade unions. In the light of these tasks, the plenary session of our union recently examined the performance of trade union bodies and organizations in mobilizing working people in the transportation and telecommunications sector to completing the plan assignments for this year and preparing the conditions for the implementation of the 1978 plan. This was another opportunity for highlighting the accomplishments of our trade union organizations which, under the leadership of the party organizations, have managed to better organize the socialist emulation and draw the mass of working people into promptly and proficiently handling the intricate problems of the transportation and telecommunications sector. Central goals of trade union work involve fully meeting the transportation needs in implementing the service plan, increasing efficiency by raising labor productivity and cutting materials expenditure and fuel and energy consumption, continuously improving quality reflected primarily in traffic reliability and safety, and better utilizing the facilities. These goals are intertwined with firm efforts to carry out the measures outlined by the party for the continuous improvement of the standard of living and for the satisfaction of the constantly growing social requirements of working people.

The fruitful efforts of most trade union bodies and organizations is reflected in the fact that the chief indicators of the transportation and telecommunications plan were successfully reached for the ten months of this year. Our trade union bodies have made efforts to upgrade the socialist emulation concomitantly with the work collectives' endorsing the additional tasks under the 1977 plan.

The political work which they conducted helped to convey that the supplemented plan is the coordinated plan which fully reflects our actual potentialities in the transportation and telecommunications sector and thus plays a greater role in the growth of the national wealth. We must emphasize the implementation of the directives given by the party as to reducing consumption levels. The socialist emulation organized to this end resulted in saving thousands of tons of fuel, metal, and other materials.

The work of the trade union organizations to raise the political and cultural-educational level of personnel in the transportation and telecommunications units was a major factor in the obtaining of these results. A major role in this area was played by the committees of trade unions of the Brasov, Bucharest Switching Yard, Bucharest Passenger Station, Timisoara, and Craiova terminals, the railroad trade unions of Galati, Iasi, Ploiesti, Craiova, Sibiu, Cluj-Napoca, and Timisoara, of the trade unions of the post and telecommunications directorates of Maramures, Caras Severin, and Neamt, of the automotive enterprises of Galati, Braila, Dimbovita, and Constanta, of Constanta IEFM Navrom, Otopeni IUDP, Bucharest IDP, Timisoara, and other units.

The good results obtained by most of the collectives in transportation and telecommunications units -- which are largely due to the efforts made by trade unions -- must not make us forget the deficiencies. Unhappily, we still have units that did not reach all the plan indicators, perform poorly in terms of quality, and do not always meet the standards for efficiency. At the Craiova Regional Railroad Unit the failure to complete the assignments in terms of movement and static load on the axle of the freight car has resulted in great capacity loss. This also occurred at the Bucharest Regional Railroad Unit in consequence of excessive idling time of cars at loading and unloading. Poor results in the area of the use of facilities were also noticed in the automotive sector. Technical problems or absenteeism resulted in the cancellation of many trips. Moreover, in railroad, automotive, and maritime transportation, violations of traffic safety regulations occurred. Of course, all these deficiencies also reflect shortcomings of some trade union bodies.

In his speech at the Congress of Working People's Councils Nicolae Ceausescu stated that the strengthening of the role of working people's councils and of the general assemblies involved a better performance of trade union bodies. The party secretary general pointed out: "These bodies must pay greater attention to the completion of the tasks they have been allotted in organizing the creative initiatives of working people, developing thriftiness, reinforcing order and discipline in production, and enhancing responsibility for the overall problems of the enterprise." Based on these directives, our trade union organs must constantly

upgrade their style and methods of work and pay most attention to production matters and, implicitly, to the education of working people. Furthermore, the trade unions must be more involved with the handling of social problems, with the correct implementation of labor laws, and with the improvement of the living and working conditions, in line with the overall policy of our party and state. They must organize and be directly responsible for the performance of mass worker supervision and the exercise of people's self-supervision. The matter of order and discipline must be a permanent item on the agenda of all trade union bodies.

According to the recent measures outlined at the foundation of the National Council of Working People, the chairman of the trade union becomes the vice chairman of the working people's council in the unit involved. In this capacity he heads the general assembly, in which all the collective is directly involved with economic management. Moreover, the general assembly will also discuss matters of trade union activity and will elect the trade union organs. This will eliminate the overlapping which previously occurred at various meetings. Furthermore, the above-mentioned measure permits the trade union bodies to devote more time to practical work at the production site, which is closely tied in with the problems of production. This directly results in the greater responsibility of our trade union organs and to new outstanding duties in all their activity. During the short period before the year's end, conditions must be carefully prepared so that the greater tasks of next year may find all workers in the transportation and telecommunications sector, on every job, with full energies and creative elan, to meet the current requirements of our socialist society.

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ROMANIA

METHODS FOR ACHIEVING 1978 PLAN IN AGRICULTURAL SECTORS

Bucharest AGRICULTURA SOCIALISTA in Romanian 12 Nov 77 pp 1, 5

[Article by Professor Doctor Engineer Ion Ceausescu, Deputy Minister of Agriculture and the Food Industry: "At the Base of Next Year's Production - The Exemplary Fulfillment of the Objectives in the National Programs"]

[Text] In order to bring about the objectives outlined by the Directives of the 11th Congress of the Romanian Communist Party regarding raising the standard of living of the people, objectives brought about by newly created resources and opportunities, the viticulturists and horticulturists have special tasks in increasing the production of vegetables, fruits, grapes and potatoes, improving their quality and diversifying their products.

Beginning with these tasks as recorded in the specific action programs and keeping in mind the valuable directives issued on numerous occasions by the party and state leadership, during the first years of this five year plan the technical and material efforts were especially directed towards the following main areas: increasing the production potential in all sectors of horti-viticultural activities by organizing these sectors for intensive farming and carrying out the projects on the basis of modern technology, with the accent on mechanization; furthering the process of production concentration and specialization; and, putting the products to best use. The achievements have certified the validity of the measures taken so far.

By analyzing the results obtained to date, important conclusions have been reached for the coming years of the five year plan and especially for the activities which must be carried out in order to fulfill the tasks of great responsibility laid out for 1978.

Attention must first be given to the means of carrying out the plan indicators. In both the countries and the units, the indicators must express a just correlation between production and the demands for development in order to provide for the needs in all sectors of supplying the populace, the processing industry and the products for export.

Beginning with the plan, the programs to be completed for specific time periods - quarterly, monthly and every 10 days - must show all the actions that will guarantee obtaining the levels of production outlined under conditions of maximum economic efficiency. This all assumes both a technical approach based upon the latest achievements of scientific research and a sustained concern for reducing the size of the manual labor force by increasing the amount of mechanization, as well as reducing the consumption of energy, raw materials, other materials, and, in general, all production expenses.

In the coming period, the priority task in horticulture will be the modernization of existing fruit and grape plantations and their development through intensive farming. The analysis undertaken at a recent conference in Buzau pointed out the fact that the measures outlined in the national programs for 1979 and 1980 can be completed one or two years early. This fact obligates each country and each unit to intensify its efforts to create the conditions necessary to achieve the proposed goals. The actions to be taken are known and their efficiency was confirmed by the units that pioneered these practices. In viticulture, there will be an increase in vines, an adaptation of existing means of support to new forms of management, an increase in the density of vines by planting fortified vines in pots in solariums, completion of projects designed to organize the land, provision of irrigation systems, and so forth. In the orchards, projects employing modern technology will be carried out conscientiously and with full understanding. All projects must be carried out on the basis of plans, with well defined time limits that will ensure the fulfillment of objectives.

The efficiency of all the activities in the horticultural sector is closely dependent upon the continued furthering of the process of production concentration and specialization. In recent times, a series of new measures has been established whose application is absolutely necessary. Thus, in vegetable growing, beginning with this autumn, actions must be taken within the framework of the intercooperative councils to achieve a minimum vegetable production area of 200 hectares within a single farm area. In those counties designated for growing vegetables, the size of these areas will be over 500 hectares. These areas will be managed so as to allow the use of technologies based upon integral mechanization and irrigation of long furrows.

Likewise, conditions have been provided so that next year 200 hectares of greenhouses and 330 hectares of solariums will be constructed. It must be kept in mind that each project will be so designed overall that it will be possible to apply the same methods as the ones used in large units. At the same time, the production achieved in the solariums will be recorded separately.

The process of production concentration will also have to be furthered in the growing of potatoes. For this purpose, next year, 93 standard farms will grow potatoes for consumers on better than 11,000 hectares, making it possible to completely apply higher technology, and seed potatoes will be produced, in totality, in closed zones in Brasov, Covasna, Harghita and Suceava counties.

In viticulture and fruit growing, concentration will be achieved by establishing new plantations only within large farms that will permit the organization of at least one farm or the creation of a farm by combining existing areas and groves. It will be necessary to take all measures to ensure that the new plantations completely respect the established criteria in this regard.

The concentration of vegetable, fruit and grape production must be achieved, however, concurrently with a stricter specialization of units, both with regards to the direction of production and to the destination of the products. In this manner, beginning next year, vegetable growing must be organized into specialized farms for the production of vegetables that arrive fresh for the consumers, farms for the production of vegetables to be used in the processed food industry and farms for the production of vegetables for export. This type of specialization will also be used in potato production: specialized units will provide the necessary raw materials to starch and alcoholic beverage factories and other units will provide potatoes to be processed into flakes or potato chips for fresh consumption or storage. In fruit growing and viticulture, specialization will lead to the organization of units that will provide large and homogeneous lots of fruits and grapes for diverse uses: fresh consumption, canning over the winter, industrial processing, for export. All of these factors, including those related to the correlation of the soils and types of plants with the ecological conditions corresponding to the directions of development outlined in the programs, must be part of the plans drawn up for each plantation.

The realization of the production levels noted in the 1978 plan depends also upon, even in this period, the manner in which a series of absolutely necessary material conditions is ensured for the normal development of the production process. Thus, a primary concern of all producers must be the provision of seed stock. For vegetable growers, this means nursery transplants. According to the existing programs, they will be produced in special complexes: early field crops and, to a great degree, all other crops will be produced in totality in solariums. From this point, the special obligations are derived regarding respecting those technological elements designed to provide valuable materials and, at the same time, materials in balance with the demands of the producers. At the same time, those units which provide their transplants to the local level will have to use all available resources for this purpose and create their own necessary material base. In viticulture and fruit growing, we have special

programs for the production of seed stock in which quantities and variety of seeds are specified for each unit. There is a need for the provisions to be strictly respected so that, for its part, the planting program does not suffer any delays.

A problem of higher technology which must be fully resolved in the coming year and upon which, to a great degree, the efficiency of these activities depends is one of increasing the level of mechanization for all crops. We now have the equipment that will allow the mechanization of numerous projects, for some crops this means the entire production process. Thus, we can mechanize the entire pea and garden bean crop and the largest part of potato growing and the crops of fruit growing and viticulture. Unfortunately, this equipment is not used at its maximum capacity across the board. This attitude must be radically changed. Therefore, within the framework of the intercooperative councils wherever it is possible it is necessary to concentrate large areas, be they in vegetable growing, fruit growing or viticulture, and move directly to the organization of certain sections of specialized mechanization and establish work groups which correspond to the equipment used in these sections.

The application of higher technology gives the desired results only to the degree in which it is subjected to adequate organization. In this regard, these efforts must be directed towards the development of intercooperative economic associations. In addition to the 19 fruit growers and viticulturists associations created this year, whose activities must lead to higher production levels, there is need to establish similar, new associations while strictly respecting the interests of the component units and harmoniously combining these interests with general ones.

At the current level of development of horticultural production, progress is determined, most of all, by the direct and prompt intervention of scientific research. In vegetable, fruit and grape production for the coming year, the contributions of those who work in this field must be made permanently and substantially. The tie has been created - the research institutes and stations in agricultural work are integrated with the production units. It is necessary that this tie be consolidated and that the best results of research, in soils, hybrids, crop technology and development and so forth, be rapidly transformed into current work at the production units with a direct effect upon the quantity and quality of production.

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ROMANIA

IMPORTANCE OF AGRICULTURAL INVESTMENT PROGRAM STRESSED

Bucharest REVISTA ECONOMICA in Romanian No 36, 9 Sep 77 pp 10-11

/Article by Ion Stanciu, deputy minister of agriculture and food industry/

/Text/. The decisions of the 11th Congress of the Romanian Communist Party also outlined special tasks for agricultural development, in the overall context of the harmonious, well-balanced, and accelerated progress of the entire economy. These tasks mainly involve boosting output in all agricultural subbranches and sectors for better meeting the population's growing needs for food products and the greater needs of raw materials for the food and light industries. The achievement of these goals involves the concomitant increase in labor productivity and efficiency in all agricultural production.

The measures to complete the tasks allotted the agricultural sector were incorporated into programs for the various crops, species, and categories of animals. They were scientifically substantiated and provide for comprehensive projects for: evolving biological material with a high production potential; upgrading the production techniques in light of the new conditions created as a result of mechanization, chemicalization, and irrigation programs; developing and modernizing the material base; and achieving the optimal connection between production, incomes, and expenditure.

Prominent among the measures for expansion and more intensive cultivation in agriculture are the investment projects for the realization of the production facilities needed to complete the tasks allotted agriculture in the 1976-1980 period and in light of the next five-year plans.

Priority Guidelines Under This Five-Year Plan

Investments totally valued at more than 100 billion lei from state funds and from the own funds of socialist agricultural units were earmarked for the expansion of the material base of agriculture under this five-year plan. The distribution of the total volume of investments to the various priority sectors corresponds to the present and future needs of agricultural development (Table 1).

Table 1. Structure of Investment Programs in Agriculture During the 1976-1980 Period

	<u>Billion Lei</u>	<u>&</u>
Total investments including:	101.3	100
Land improvement projects	30.1	29.7
Mechanization	29.8	29.4
Nurseries and hothouses	3.5	3.5
Expansion of vineyards and orchards	6.1	6.0
Zootechnological development	18.7	18.5
Storage units for agricultural products	6.5	6.4
Other investment projects	6.6	6.5

In line with the directives of the party and state leadership, the implementation of this comprehensive program must focus on the use of simple structural approaches which involve low materials consumption and minimum financial efforts for each facility to be completed, in the context of utilizing modern production technologies based on latest scientific gains. In this area we must take into consideration future trends because the units involved in the investment projects which are completed under this five-year plan have a life of between 25 and 50 years and some even more.

In order to meet these requirements, in the area of irrigation systems the proportion of irrigated areas involving ditches has been increased. This procedure results in important savings in terms of manpower. In the case of existing sprinkler irrigation systems which are provided with facilities for shifting the pipes, an optimal connection was achieved with territorial systematization, in order to wisely utilize all the lands, in light of the level of mechanization and greater productivity of the tractors and machines which the agricultural sectors will continue to receive in the future.

In fruit-growing, the new plantations -- involving more intensive and superintensive cultivation -- and the completion of the program for the modernization of existing orchards have resulted in the establishment of an optimal proportion between species and strains, which will permit the boosting of the output of valuable fruit for use as fresh fruit and for industrial purposes. Moreover, in the case of existing plantations, higher densities will be achieved, as an essential factor of high output, concurrently with ensuring the conditions for the mechanization of operations. Similar projects are under way in vine-growing.

In the zootechnological sector, the completion of new animal raising and fattening facilities involves the use of the best experience gained so far in the specialized units of state and co-operative agriculture. In the sheds which will be completed in the future, the specific microclimatic conditions (temperature, light, moisture, air purity), required by the normal biological development of each species and category of animals, are ensured by a minimum consumption of electric and thermal energy, with use being made of environmental resources. Moreover, approaches have been examined and endorsed which involve giving up liquid fuel and natural gas as sources of thermal energy and their being replaced by solid fuel. Furthermore, there will be a wider use of electrical heating but in the context of lower total consumption of electric energy, by limiting this consumption only to the shed areas and the categories of animals which strictly require it.

The studies which are now being conducted to determine electric energy consumption in ensuring the source of heat -- both in terms of value and quantity of resources used -- and the impact in the subsequent use of zootechnological shelters will permit accurate orientation in this field.

Results, Tasks

In 1976, the investment plan in agriculture was fulfilled and over-fulfilled. This involved the completion of irrigation systems over 236,000 ha, damming and drainage on 170,000 ha, animal husbandry units with a capacity of 51,700 places for milch cows, 47,800 places for cattle, and 47,000 places for hogs for fattening, grain storage units, and factories for combined fodder. Efforts were stepped up for the implementation of the investment program in the second year of the five-year plan, for both the projects continued from previous years and many new projects.

The results obtained in the first half of this year, in light of the conditions created and the material base ensured, highlight the existence of important unjustified reserves within the framework of the agricultural sector and of the economic sectors which are involved in the completion of the investment projects in this branch, in the first place in construction and assembly for the continued investment projects. For a number of major new projects work did not begin on schedule, and among the facilities which were planned to be finished in the first half of the year, some have not been completed. The backlog on some construction sites necessitates firm steps which should guarantee the elimination of lags and the full implementation of the investment program, in terms of value and especially in terms of fulfillment of the physical plan, with the scheduled completion of the facilities planned for the entire 1977-1980 period.

The scale of this program and the significance of the investment projects which must be completed in the period by the end of the five-year plan strongly require greater concerted efforts of customers, designers, and construction units to adequately complete all the units in the area of irrigation, horticulture, and animal husbandry. For instance, in the area of irrigation systems, the program provides for the construction of hothouses on 1,000 ha, which will improve the supply of a wide range of very early vegetables to all localities. In fruit-growing, new plantations must be established. In the area of developing animal husbandry and boosting livestock output, a large amount of investment projects in both state and cooperativized agriculture must be completed. These projects include many animal husbandry complexes capable of providing conditions for a more intensive fattening of all the junior cattle and sheep herds, the obtaining of an output of 400,000 tons of poultry, and modern industrial complexes for about 8 million hogs. Moreover, the existing sheds will be modernized in accordance with the up-to-date requirements for all species.

Better Organization, Smoother Work

The completion of these investment projects is fully feasible. In the case of irrigation systems, the remaining area to be irrigated under this five-year plan is included in major systems which were begun or will be commenced this year. The hothouses and the animal husbandry complexes will be built on the basis of standard or reusable projects in which technological and structural improvements resulting from the experience gained in recent years have been incorporated. The other major investment projects for the 1977-1980 period involve similar factors.

The decisive factor of the implementation of the investment programs in agriculture involves the organization and smooth development of construction and assembly of machines and installations which will guarantee the finishing and completion of each project within the originally specified time or even ahead of schedule.

In recent years, construction-assembly and other similar projects in our branch have been completed by specialized units of agriculture, by units of the Ministry of Industrial Construction, of county people's councils, of other ministries, and also on the basis of self-management of the user agricultural units (Table 2).

In light of the magnitude and intricacy of construction problems on the major construction sites in Romania, which have focused the efforts of the specialized units of the Ministry of Industrial Construction, and the large amount of dwellings which must be built by the trusts and enterprises under the people's councils, it is necessary to essentially revise the organization and progress of investment projects in agriculture. By firmly applying the directives

of party secretary general Nicolae Ceausescu on the greater role and responsibility of customer units in completing construction-assembly projects, measures will be taken so that the involvement of the units of the Ministry of Industrial Construction and other specialized units in completing major and highly technical projects should coincide with the significantly intensified work of the construction enterprises under the Ministry of Agriculture and Food Industry, which should complete a greater amount of its own investment projects. In the sector of cooperativized agriculture, the intercooperative councils will play a decisive role in completing investment projects. They must organize teams, or, as the case may be, specialized units, including members of the agricultural production cooperatives which make up the council, which will help to complete their own projects.

The volume of agricultural investment programs to be completed under this five-year plan, their great diversity -- from irrigation, damming, and drainage systems up to industrial animal husbandry complexes, nurseries for the production of vegetables and seedlings, vineyards and orchards, grain storage units, and so on -- and their sites all over the country require overall and expeditious measures which will ensure solutions to all problems posed by practical situations.

In line with a major guideline from the party and state leadership, the efforts of research and designing experts have focused on preparing the documentations and determining the locations for each individual project. This will permit to begin construction on schedule or ahead of the schedule under the five-year plan. On the basis of the experience gained so far, the production technologies for all the branches, subbranches, and sectors of activity in agriculture and the structural approaches connected with these technologies have been upgraded and finalized. The technological and structural approach to the problems posed by investment programs in agriculture has provided the necessary conditions for the inauguration, this year, of standard or reusable projects for most of the facilities planned in the plant and animal sectors. The local units will only ensure the adaptation to the specific land. This will result in significant savings in terms of time, manpower, and financial assets.

The consistent implementation of all the above-mentioned measures, the better organization of guidance and supervision in completing the investment program, specifically and for each individual project, will provide all the conditions for better fulfillment of the agricultural investment plan during the 1977-1980 period.

Table 2. Distribution of Agricultural Investment Projects to the Various Construction Bodies %

	<u>1976 Plan</u>		<u>1977 Plan</u>	
	<u>From state funds</u>	<u>From agricultural units' funds</u>	<u>From state funds</u>	<u>From agricultural units' funds</u>
Total volume of investment program including:	100	100	100	100
Construction by the Ministry of Agriculture and Food Industry	58.1	76.1	57.5	69.8
Through specialized units	38.5	36.3	40.7	33.5
under user's management	19.6	39.8	16.8	36.3
Construction by other ministries and central or local organs:	41.9	23.9	42.5	30.2
Through units of the Ministry of Industrial Construction	26.8	3.4	27.1	5.3
Through units of people's councils	9.7	19.1	10.3	23.3
Through units of other ministries	5.4	1.4	5.1	1.6

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CHANGES IN FINANCIAL POSITION OF ECONOMIC ENTERPRISES

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[Article by Milo Jovanovic]

[Text] The financial position of organizations of associated labor in the economy is determined by a number of factors whose direction and intensity of effect may vary greatly from period to period. In the most general terms the most important factors in the economy's financial position lie in the efficiency of its business operation, in the manner in which the social product is distributed, in the manner in which they use their own resources, and finally, in the composition of their property and the pattern of investment from year to year.

1. The Economy's Efficiency in Business Operation

The economy's efficiency in business operation may be expressed in several ways, but the economy's global economic efficiency and global profitability can be taken as representative indicators.

Global business efficiency, taken in the most general terms, can be expressed on the basis of the composition of the gross social product and a determination of the relative share of its individual elements. We might say in this respect that over the last 10 years there has been a tendency for the business efficiency of the economy to deteriorate. Over that period the share of material costs has been rising, and the share of national income in the makeup of the gross social product has been decreasing.

There is no doubt that business efficiency (see the following table) has been deteriorating and that the deterioration has been more appreciable in the latter years of the period under study. It is worth mentioning in this context that the figures are not altogether comparable because gross income and net income were determined in different ways and because of the possibility that certain expenditures were moved from one cost category to another.

A similar datum as to the drop in business efficiency is also obtained by determining global profitability, when it is expressed as the ratio of net income to average assets used. The most important characteristic of profitability calculated in this way has been in its highly uneven movement from year to year. A high rate of profitability was recorded in 1965 (44.4 percent) and in 1971 (43.9 percent); whereas considerably more moderate rates of profitability were recorded in the latter years of the period under study: 30.7 percent in 1973, 32.9 percent in 1975 and only 29.8 percent in 1976. It is worth mentioning that the rate of global profitability calculated in this way was lower in 1976 than at any time in the last 10 years. However, we should emphasize that when the rate of profitability is established in this manner there are a number of factors of an institutional nature which could substantially alter the rate of profitability in one direction or the other. In this period capital assets were reassessed, and in certain years this brought about a nominal increase in the average assets used although essentially nothing is changed with respect to the actual productive capability of the assets. On the other hand, there have been changes in computation of gross income and net income, i.e., the transition was made from receipts to billed sales and back again, which greatly affects net income, moving it upward or downward in particular years. For that reason we need to take the figures in the following table with a certain reserve, but we can still state that the global rate of profitability has been dropping.

Breakdown of the Gross Social Product of the Socialized Sector of the Economy, share in percentage

<u>Year</u>	<u>Gross Social Product</u>	<u>Depreciation</u>	<u>Material Costs</u>	<u>National Income</u>
1967	100.0	5.2	51.9	42.9
1968	100.0	5.3	50.9	43.8
1969	100.0	5.2	51.4	43.3
1970	100.0	5.0	51.8	43.2
1971	100.0	4.9	52.0	43.1
1972	100.0	5.4	52.5	42.1
1973	100.0	5.2	55.3	39.5
1974	100.0	5.2	57.3	37.5
1975	100.0	4.4	59.4	36.2
		Ø 5.1	53.6	41.3

Source: SGJ [Statistical Yearbook of Yugoslavia] for the relevant years.

2. Division of Income

Division of income into the part which goes to society and to the part which goes to the economy is an essential component in the economy's financial position, and at the same time it is one of the most significant factors in raising the economy's capacity for reproduction. We can say in this context that over the last 10 years there have been frequent institutional changes

affecting division of income among users. However, in spite of clear ideological commitments set forth in the Resolution of the 10th LCY Congress, actual division has not been in conformity with those commitments. That is, that resolution of the League of Communists pointed to the need for a full-fledged commitment on the part of all self-managed, public and government entities to alter the present proportions in the disposition of income to the advantage of self-managed associated labor, that is, the producers, and to enact relevant arrangements in the socioeconomic system in the fields of the earning of income, the distribution of income, self-management planning, the credit and monetary system, etc. The degree of success in the distribution of income, which represents capital formation, should be one of the socially recognized criteria for the earning and division of income, on the basis of labor, and then it should be a factor to stimulate the pooling of labor and income. However, as we have mentioned, development of this kind has not come about in the basic division of income into the part for society and the part for the economy.

Division of Income, share in percentage

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Economy	65.8	65.2	65.1	65.9	69.2
Society	<u>34.2</u>	<u>34.8</u>	<u>34.9</u>	<u>34.1</u>	<u>30.8</u>
Total	100.0	100.0	100.0	100.0	100.0
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Economy	68.0	67.5	68.5	65.9	62.8
Society	<u>32.0</u>	<u>32.5</u>	<u>31.5</u>	<u>34.1</u>	<u>37.2</u>
Total	100.0	100.0	100.0	100.0	100.0

Source: Year-end statements of organizations of associated labor in the economy for the relevant years.

The period of the last 10 years can be divided into three subperiods from the standpoint of the division of income between society and the economy. The first 4 years, the 1967-1970 period, had approximately the same proportion in division of the net product. In that period an average of 65.5 percent of the total net product went to organizations of associated labor in the economy. In the following 4 years, the 1971-1974 period, there was an improvement in division of the net product to the advantage of organizations of associated labor. In that period an average of 68.3 percent of the total net product went to organizations of associated labor in the economy, and only 31.7 percent went to society. In that period the share of the economy in the net product was almost 3 percentage points higher than in the previous years. Finally, in the last 2 years of this period there was a significant deterioration in the division of the net product to the economy's disadvantage. The division of the net product into the part

for society and the part for the economy was less favorable not only than in the previous period (1971-1974), but was also less favorable for organizations of associated labor than the division recorded in the initial years of this period. In 1975 and 1976 the economy's average share in the net product was 64.3 percent of the total net product, or a full 4 percentage points less than in the previous period. Consequently, the proportion recorded in 1976 was by far the least favorable, and the division in that year is seriously tending to deteriorate the economy's financial position.

In endeavors to identify the forms whereby society drains off income and to establish the size of the amount drained by the particular instruments, we can state the following:

i. Contributions paid on personal incomes have had the highest average share in that part of income which goes to society. Their average share in the part of income which goes to society has been 35.8 percent. This share has gradually been decreasing. In the first year of the period under study this share was larger, ranging upward of 40.0 percent, and in 1969 it was even as high as 44.4 percent. In recent years this share has been dropping, and it was lowest in 1975, when it was only 35.5 percent. It is worth mentioning that during this period there have been changes not only in the rates instituted for the particular instruments, but also in the handling of the individual instruments, which, of course, has affected the size of the deduction based on these contributions. For example, in 1967 the contribution for housing construction ceased to be a contribution to society and became a fund of organizations of associated labor in the economy, and these contributions were diminished by that amount, and the funds of the economy increased.

ii. The turnover tax, whose average share in the total deductions has been 28.0 percent, has been the second most important deduction from income. This burden has been decreasing in relative terms in recent years by comparison to previous years. The smallest share of the turnover tax in total income going to society was in 1976, when it amounted to only 22.8 percent of the total. In certain previous years, say in 1972 and 1973, the turnover tax had a share exceeding 30.0 percent of society's total share of income.

iii. The third most important form of collection by society has been interest paid on credit. This has been the basis on which society collected an average in excess of 14.4 percent of its total share. We should mention that the share of interest on credit in total income going to society has been higher in recent years than in previous years. The share of these receipts was higher in 1976, when this instrument accounted for 16.2 percent of society's total share, whereas, for instance, in the initial year of this period (1967) interest on credit accounted for only 11.8 percent of total income set aside for society. In this period total credit extended to the economy has increased about sixfold.

iv. The other forms (instruments) whereby society drains off income of the economy have had a smaller share in this part of income. For example, the share of the interest on the business fund was 2.7 percent before it was abolished; the share of insurance premiums has been 4.5 percent; the share of certain legal obligations has been 3.3 percent; and other obligations (based on the contribution for personnel, education costs, contributions for use of municipal land, etc.) have amounted to less than 9.0 percent of society's total share in income.

v. We should particularly mention that in the last 2 years (1975 and 1976) a high share of income was drained on the basis of contributions to self-managed special-interest communities. The annual share of these forms of collection in total obligations has in both years exceeded 10.0 percent of total obligations paid from income.

3. Distribution of the Net Income Which Goes to the Economy

Distribution of the net income going to the economy into the part that goes for personal incomes and the part that goes to funds has been rather uneven from year to year.

In some years this distribution was dependent upon institutional changes which had the effect of increasing transfers to funds. For example, since 1971 instead of paying interest on the business fund the economy has been subscribing to the compulsory loan to the Federal Fund for Credit Financing the Economic Development of the Economically Underdeveloped Republics and Provinces. These resources are recorded as resources of the business fund, which has been increasing their share in the total assets of the economy, but in essence, at least until their repayment begins, the economy has not itself had these resources at its disposition.

The predominant part of the resources going to the economy is set aside for personal incomes--an average of 69.1 percent of the economy's total share. The share going to the business fund has been 16.6 percent of the economy's total resources, and its lowest share was in 1976--only 13.1 percent. An average of 3.5 percent has been set aside for the reserve fund, and 5.6 percent for the community consumption fund.

4. The Structure of the Cash Surplus

The size and distribution by sectors of the total cash surplus is an essential factor in the financial position of organizations of associated labor in the economy. Cash surplus in the sector of organizations of associated labor in the economy represents the difference between receipts for goods sold and services rendered, on the one hand, and outlays for operating expenses (not including depreciation), for contributions and taxes, as well as for personal incomes on the other. Cash surplus in other sectors represents the difference between cash receipts and outlays for expenditures. In essence the cash surplus represents a saving. The economy's financial position is determined, then, not only by total savings, the savings of all

sectors, but also by the distribution of this saving among sectors. In this connection we should mention that the efforts of all economic entities must be aimed at achieving larger financial results at minimum operating cost, contributions and legal obligations and with an appropriate size of personal incomes. However, institutional measures, that is, economic policy measures, can have the effect of augmenting the size of the cash surplus and it can affect even more its distribution among sectors. By stimulating an increase in the volume of production through application of the basic economic principles of economic activity--productivity, economic efficiency and profitability--a larger cash surplus is achieved. On the other hand, application of relevant economic policy measures can directly augment the cash surplus in the economic sector, and this will contribute directly to an improvement of its financial strength.

Research conducted in this field has indicated that the distribution of the cash surplus by sectors is out of line with the goals of economic policy.

Distribution of Cash Surplus by Sectors, share in percentage, amounts in billions

<u>Year</u>	<u>Economy</u>	<u>Other Sectors in So- ciety</u>	<u>Popu- lation</u>	<u>Total</u>	<u>Economy</u>	<u>Other Sectors in So- ciety</u>	<u>Popu- lation</u>	<u>Total</u>
1967	18.7	9.7	9.3	37.7	49.5	25.8	24.7	100.0
1968	20.0	9.8	10.0	39.8	50.3	24.6	25.1	100.0
1969	23.0	8.0	14.1	45.1	50.9	17.8	31.3	100.0
1970	29.4	13.9	15.7	59.0	49.7	23.7	26.6	100.0
1971	35.8	8.9	24.7	69.4	51.6	12.3	35.7	100.0
1972	40.2	13.9	29.4	82.5	48.7	15.7	35.6	100.0
1973	58.0	15.2	38.6	111.8	51.9	13.6	34.5	100.0
1974	99.0	15.1	46.0	161.9	61.7	9.9	28.4	100.0
1975	100.0	34.4	63.8	199.1	50.7	17.2	32.1	100.0
1976	117.2	49.3	80.0	246.5	47.5	20.0	32.5	100.0
					Ø 51.4	17.2	31.4	100.0

Source: BILTEN NARODNE BANKE JUGOSLAVIJE, No 3, 1976, and No 3, 1977.

According to the figures given in the table above, the average share of the cash surplus of organizations of associated labor in the economy has over the last 10 years been approximately half of the total cash surplus achieved in that period. The share of the cash surplus of other sectors in society has averaged about 17.0 percent, while the average share of the personal sector, or the population, has exceeded 30.0 percent of the total cash surplus. In this connection we should point out the following characteristics in distribution of the cash surplus by sectors:

i. The share of organizations of associated labor in the economy has been the most steady of any sector from year to year. Its share departed extremely from the average only in 1974, when the economy's share in the cash surplus was 10 index points higher than the 10-year average, while in relative terms its lowest share was recorded in 1976, when it was 4 index points below the 10-year average.

ii. The share of other sectors in society has gradually been decreasing in recent years relative to previous years, and this has been the consequence of the diminished resources of funds for credit financing of capital investments.

iii. The share of the cash surplus of individuals was smaller in the initial years than in the latter years of this period.

It is precisely this trend in the distribution of cash surplus by sectors that makes it inappropriate to our real needs. In our context the vehicle of economic development is the socialized sector of the economy, and that sector bears full responsibility for achieving the goals that have been set in economic policy. We should say that there is a growing gap between the obligations of the socialized sector of the economy with respect to future economic growth, on the one hand, and the cash surplus which is left to that sector on the other. The increase in the share of the cash surplus of the personal sector alerts us to at least two circumstances:

- a) enhancement of the financial strength of the personal sector; and
- b) the related need to strengthen the financial structure (instruments, flows and organization) so that these resources are returned in the fastest, most efficacious and purposive way into the cash flows of the socialized sector of the economy.

The cash surplus of organizations of associated labor in the economy does not in our context represent a homogeneous mass of liquid assets which can be used entirely for investments. The cash surplus of organizations of associated labor in the economy consists of a number of funds, some of which are earmarked for particular purposes so that their resources can be used only for those purposes. Aside from the resources of the business fund and depreciation, which can be used entirely for investments, there are also the resources of reserve funds, resources of the fund for housing construction, resources of the community consumption funds, resources of the fund for credit financing of underdeveloped regions, etc. Thus the cash surplus in the sector of organizations of associated labor is not only out of line with the goals of economic policy in its size, but in its structure it is fragmented and nonhomogeneous, so that the financial strength of those organizations is also weakened because of that factor.

5. The Rate of Capital Formation of Organizations of Associated Labor in the Economy

The rate of capital formation of organizations of associated labor in the economy has varied as a function of the cash surplus in that sector. Computed as the ratio of the cash surplus to gross income, the rate of capital formation has ranged from its highest of 8.6 percent in 1974 to its lowest of 5.7 percent in 1972. In the last 2 years the rate of capital formation in the economy has been dropping, and in 1976 it was at the lowest level since 1972 (see the following table).

Rate of Capital Accumulation, amounts in billions

<u>Year</u>	<u>Gross Income</u>	<u>Cash Surplus</u>	<u>Rate of Capi- tal Formation</u>
1967	262.2	18.7	7.1
1968	272.5	20.1	7.4
1969	324.8	23.0	7.1
1970	403.7	29.4	7.3
1971	531.5	35.8	6.7
1972	711.3	40.2	5.7
1973	865.0	58.0	6.7
1974	1,156.6	99.0	8.6
1975	1,534.0	100.9	6.6
1976	1,826.7	117.2	6.4

Source: "Godisnji izveštaj NB Jugoslavije za 1974" [Annual Report of the Yugoslav National Bank for 1974]; BILTEN NB JUGOSLAVIJE, No 3, 1976, and No 3, 1977.

6. Financial Investments of Nonfinancial Sectors

The economy's financial position can also be determined by the volume and structure of financial investments which it has made over a particular interval of time. A more precise indicator of its position in the economy as a whole (all sectors) can be determined if we analyze the dimensions of its financial investments in total financial investments of nonfinancial sectors. (Nonfinancial sectors, according to the methodology of the Yugoslav National Bank, consist of organizations of associated labor in the economy, the Federation, other sociopolitical communities, other organizations, and individuals.) The economy's share in total financial investments determines its position and its financial strength relative to other nonfinancial sectors. An analysis of the structure of financial investments of nonfinancial sectors reveals a very uneven pattern of changes which have taken place over the last 10 years.

Financial Investments of Nonfinancial Sectors, breakdown in percentage, amounts in billions

<u>Year</u>	<u>Economy</u>	<u>Other Sectors in So- ciety</u>	<u>Popu- lation</u>	<u>Total</u>	<u>Economy</u>	<u>Other Sectors in So- ciety</u>	<u>Popu- lation</u>	<u>Total</u>
1967	15.5	3.3	3.3	22.1	70.2	14.9	14.9	100.0
1968	23.7	3.4	4.9	32.0	74.0	10.6	15.4	100.0
1969	36.4	4.6	6.7	47.7	76.3	9.6	14.1	100.0
1970	33.8	7.6	9.5	50.9	66.3	15.0	18.7	100.0
1971	49.7	14.0	14.7	78.4	63.5	17.7	18.8	100.0
1972	20.2	9.7	14.7	44.6	45.3	21.8	32.9	100.0
1973	39.0	13.8	19.9	72.7	53.6	19.0	27.4	100.0
1974	102.6	17.3	26.8	146.7	69.9	11.8	18.3	100.0
1975	67.0	17.4	35.7	120.1	55.8	25.5	29.7	100.0
1976	31.6	33.3	48.8	113.7	27.8	29.2	43.0	100.0
					ø 60.2	17.5	22.3	100.0

Source: Cash flow computations of the Yugoslav National Bank.

There is no doubt that economic policy measures have considerably affected the size of financial investments in the various sectors, especially in the sector of organizations of associated labor in the economy. That is, in certain years the predominant form of investment was direct credit to purchasers, and in certain years the volume of these credits had predominant significance among the investments of the economy. That is why measures were taken to regulate payments between users of socialized assets. The effect of these measures was manifested in a reduction of credit granted to purchasers for goods that were sold. The most pronounced effect of these measures can be seen in the figures for 1972, when the economy's share in total financial investments of nonfinancial sectors was less than half of total financial investments in that year. Still more pronounced effects of those measures can be seen in 1976, when the share of the economy's financial investments in total financial investments of nonfinancial sectors was less than one-third. We must therefore point out that this average of about three-fifths of total financial investments, which has been the share of the sector of the economy over the last 10 years, gives a definite glimpse of the financial strength of organizations of associated labor in the economy. This statement is all the more accurate if we know the character and characteristics of investments in the form of direct credit (on goods sold), which by their nature represented more coercion than a free investment of financial resources in a particular types of investment. Moreover, this type of investment was in certain cases not only not liquid, but was even debatable and dubious, so that one can say that the extension of credit to purchasers in the volume achieved in certain years essentially represents the most important factor in illiquidity and in the diminished quality of the economy's economic operation.

7. Total Investments of Organizations of Associated Labor in the Economy

Total investments of organizations of associated labor in the economy have been strongly influenced by the change in financial investments. In years when there was an increase in mutual granting of credit, there was an increased share of financial investments, and the share of real investments diminished.

Real investments (investments in fixed assets and inventories) have been steadily growing at a higher or lower annual growth rate, while the volume of financial investments has varied as a function of changes of investments in the form of direct credit (see the following table).

Total Investments and Changes by Years, breakdown in percentage, amounts in billions

<u>Year</u>	<u>Total</u>	<u>Real Invest- ments</u>	<u>Financial Invest- ments</u>	<u>Total</u>	<u>Real Invest- ments</u>	<u>Financial Invest- ments</u>
1967	44.7	29.2	15.5	100.0	65.3	34.7
1968	52.2	28.5	23.7	100.0	54.6	45.4
1969	68.0	31.6	36.4	100.0	46.4	53.6
1970	79.1	45.3	33.8	100.0	57.3	42.7
1971	103.8	54.1	49.7	100.0	52.1	47.9
1972	74.8	54.6	20.2	100.0	72.9	27.1
1973	108.1	69.2	38.9	100.0	64.0	36.0
1974	228.4	125.9	102.5	100.0	55.1	44.9
1975	195.2	148.5	46.7	100.0	76.1	23.9
1976	235.5	157.9	77.6	100.0	67.0	33.0
				Ø 100.0	61.9	39.0

Source: Cash flow computations of the Yugoslav National Bank.

8. Financial Investments of Organizations of Associated Labor in the Economy

The most significant characteristic of the financial investments of organizations of associated labor in the economy has been the very uneven changes from year to year and the change in the structure of those investments. Investments in the form of direct credit have been an essential factor in those developments, but in the last 2 years the change in the structure and volume of investments has also been significantly affected by investments in the form of money and other less liquid forms. As we have already mentioned, investments in the form of direct credit have been determining the structure of total financial investments of nonfinancial sectors, on the one hand, and the position of organizations of associated labor in those investments on the other. The size of the influence of investments in direct credit can be seen more clearly in an analysis of total investments and of their structure in the sector of organizations of associated labor in the

economy. In most of the years included this form of investment has had predominant importance in the structure of investments by the entire economy, and in certain years, 1971 for example, direct credit represented more than four-fifths of total financial investments of the economy. However, in certain years when measures were applied to diminish mutual credit financing, there was an appreciable reduction of those investments. For example, in 1972 direct credit represented only 13.0 percent of annual investments. A still more extreme example in this respect was recorded in 1976, when thanks to measures contained in the Law to Guarantee Mutual Payments Between Users of Socialized Assets and the Law on Determination and Computation of Gross Income and Net Income in Basic Organizations of Associated Labor there was such a reduction of investments in direct credit that at the end of 1976 their level was even 45.9 billion dinars below the level of the previous year.

By and large the period in question can be divided into two parts: the first part covers the period from 1968 to 1971, whose typical features were low liquidity, a small growth of investments in the form of money and other less liquid forms, and a high growth of investments in the form of direct credit. The second part covers the period from 1972 to 1976, which is distinguished by a substantial growth of investments in the form of money and other liquid forms and a reduction of investments in the form of direct credit to purchasers. In this period there was a quite substantial increase of investments in the form of credit to other sectors. Changes in the volume of investments and the distribution among financial instruments within the sector of organizations of associated labor in the economy were the consequence of a number of institutional measures, as follows:

i. the growth of credit expansion had the direct effect of increasing the money supply and the economy's liquidity. In that period there was confirmation of patterns noted previously: at a higher rate of monetary growth--at a higher growth rate of the money supply--the economy's liquid assets grow faster than the average growth of the money supply. And vice versa! At a more moderate growth of the money supply, or when it stays at the same level, the economy's liquid assets diminish faster than the reduction in other sectors. The experiences in 1976 have confirmed these patterns once again;

ii. the reduction of investments in the form of direct credit to purchasers was the direct consequence of the measures we have mentioned to ensure payments, which defined more strictly than previously the conditions for settlement of due obligations, and also of measures concerning determination of gross income and net income, which defined more restrictively than previously the conditions for determination of these categories; and also, the rise of liquidity tended to reduce the mutual extension of credit;

iii. the growth of investments in the form of credit to other sectors is a direct consequence of abolishing the interest on the business fund and of transforming it into a compulsory loan of the economy to the Federal Fund for Credit Financing of the Economic Development of the Economically Underdeveloped Republics and Provinces.

If the economy's financial position is evaluated on the basis of its financial investments, then we must examine not only the volume of investments, but also their structure. After all, honoring what we previously said about the characteristics of direct credit, larger financial investments resulting from investment in the form of direct credit has not represented an improvement of the financial position of organizations of associated labor in the economy. The reverse is actually true! Experience has shown that increased investment in the form of direct credit actually has meant a deterioration of the economy's financial position for the simple reason that this form of financial investment was the most important factor in the economy's illiquidity in those years. On the other hand, investments in 1976 represent an extreme both in size and also structure (see the following table). These changes have been the result of controversial changes in investments in the form of direct credit, which decreased appreciably from the previous year, and the high level of monetary expansion, which tended to produce a high growth of all forms of monetary resources. The net effect of these changes is that the net growth of total investments was smaller than in any year we have examined. When total investments are taken as 100, investments in the form of money stood at an index level higher than 150, but investments in the form of direct credit stood at almost - 150 relative to total investments. These extreme changes with respect to the volume of particular forms of investment have made it impossible to examine long-term trends and patterns with respect to investments by particular financial forms.

Financial Investments of the Economy by Years and by Forms, amounts in billions

<u>Year</u>	<u>Money</u>	<u>Other Liquid Assets</u>	<u>Illiquid Deposits</u>	<u>Credit for Sales of Goods</u>
1968	2.3	2.4	2.8	14.7
1969	- 0.3	3.2	2.6	23.8
1970	0.8	2.4	4.3	24.7
1971	0.3	1.2	0.6	41.6
1972	7.7	2.3	0.3	2.6
1973	9.9	5.2	- 0.4	13.8
1974	6.8	2.7	5.2	76.6
1975	19.5	2.7	8.0	20.3
1976	51.5	3.8	15.9	- 45.9

Breakdown in Percentage

1968	9.7	10.1	11.8	62.0
1969	- 0.8	8.8	7.1	65.4
1970	2.0	7.1	12.7	73.6
1971	0.6	2.4	1.2	83.7
1972	38.3	11.4	1.5	12.9
1973	25.4	13.4	- 1.0	35.5
1974	6.6	2.6	5.1	74.7

Table (continued)

<u>Year</u>	<u>Money</u>	<u>Other Liquid Assets</u>	<u>Illiquid Deposits</u>	<u>Credit for Sales of Goods</u>
1975	29.1	4.0	11.5	30.7
1976	162.5	12.0	50.2	- 144.8

<u>Year</u>	<u>Credit to Other Sectors</u>	<u>Foreign Exchange Deposits</u>	<u>Not Dis- tributed</u>	<u>Total</u>
1968	0.2	0.9	0.4	23.7
1969	0.1	- 0.2	7.2	36.4
1970	0.3	0.6	0.7	33.8
1971	2.5	2.9	0.6	49.7
1972	5.0	1.3	0.9	20.1
1973	5.1	4.0	1.3	38.9
1974	6.3	1.6	3.3	102.5
1975	8.3	5.6	2.6	67.0
1976	9.6	2.7	- 5.9	31.7

Breakdown in Percentage

1968	0.8	3.8	1.8	100.0
1969	0.2	- 0.5	19.8	100.0
1970	0.9	1.7	2.0	100.0
1971	5.0	5.8	1.3	100.0
1972	24.9	6.5	4.5	100.0
1973	13.1	10.3	3.3	100.0
1974	6.1	1.6	3.3	100.0
1975	12.4	8.4	3.9	100.0
1976	30.3	8.5	- 18.7	100.0

Source: Cash flow computations of the Yugoslav National Bank.

9. Developments in 1977

Economic developments in 1977 afford the basis for optimistic forecasts with respect to improvement of the financial position of organizations of associated labor in the economy. The high level of industrial production (in the January-August period production was up 11.4 percent over the same period of last year), the rise in the global productivity of labor in the industrial sector (about 7.0 percent), the record harvest in agriculture, on the one hand, and the ever higher level of organization of associated labor and ever greater enforcement of the Law on Associated Labor on the other are opening up a broad space and opportunity for improvement of the economy's financial position during this year. At present we do not have complete figures which might make it possible to evaluate the direction in which total financial investments of nonfinancial sectors are moving and the degree

to which organizations of associated labor in the economy are represented in those investments. Specifically what we lack are data on investments in the form of direct credit to purchasers, and, as we have already mentioned, these investments have in certain years been an essential component in the economy's financial position.

However, on the basis of the half-year figures on other financial investments by sectors we can judge that these movements have not been in line with the results achieved in the domain of production. That is, the figures show that again in 1977 there was a continuation of the previous trend toward enhancement of the financial strength of other sectors to a greater degree than enhancement of the financial strength of organizations of associated labor in the economy.

Financial Resources by Sectors, amounts in billions of dinars

<u>Year</u>	<u>Economy</u>	<u>Other Organizations</u>	<u>Federation</u>	<u>Other Sociopolitical Communities</u>	<u>Population</u>	<u>Total</u>
31 December 1976	182.6	59.1	4.1	19.7	183.7	449.2
31 June 1977	185.1	65.8	4.1	24.1	202.5	481.6
Index: 1976 = 100.0	101.4	111.3	100.0	122.3	110.2	107.2
Growth relative to December 1976	2.5	6.7	--	4.4	18.8	32.4

Source: STATISTICKI BILTEN SDK, No 6, 1977.

There is no doubt that the personal sector has had dominant significance in enhancement of its financial strength. Almost three-fifths of the growth of investments in 1977 pertain to the personal sector. The share of organizations of associated labor in the growth of investments did not represent even 10.0 percent in 1977. Changes in the status of financial resources, or changes in the financial position of the individual sectors, are pointed up more markedly if we compare changes in financial investments by form in the economic sector and the personal sector, which between them account for more than four-fifths of total financial investments.

Financial Investments of the Economy and of Individuals, amounts in billions of dinars

	<u>The Economy</u>		<u>Population</u>	
	<u>31 Dec 76</u>	<u>30 Jun 77</u>	<u>31 Dec 76</u>	<u>30 Jun 77</u>
Cash on hand or in banks	99.0	99.2	51.3	54.9
Deposits requiring period of notice before withdrawal	28.4	27.6		
Deposits for specified period of time	34.9	36.8	9.7	12.8

Table (continued)

	The Economy		Population	
	31 Dec 76	30 Jun 77	31 Dec 76	30 Jun 77
Foreign exchange deposits	20.3	21.5	52.1	56.8
Personal savings accounts	--	--	70.6	78.0
Total	182.6	185.1	183.7	202.5

Source: STATISTICKI BILTEN SDK, No 6, 1977.

Taken as a whole, the financial position of organizations of associated labor in the economy has been changing both from the standpoint of the share of this sector's financial resources in total financial investments and also from the standpoint of the relative importance of financial instruments. Viewed from the standpoint of total financial resources which the economy has at its disposition, we can say that its financial position has been deteriorating. We are led to this conclusion by figures on the efficiency of the economy's business operation from year to year and also figures on division of income into the part for society and the part for the economy. As shown, in recent years more money has been drained from the economy than is appropriate from the standpoint of society's economic and political goals. On the other hand, we can say that the structure of the economy's financial investments has improved thanks to the effect of economic policy measures, especially in 1976. The improved structure of financial investments was manifested in a considerable reduction of investments in the form of credit extended to purchasers, and investments in the form of money and other liquid forms increased. Thus the augmented volume of financial investments did actually represent a growth of the economy's financial strength.

However, developments in the first half of 1977, if these trends are taken as a representative indicator of the economy's financial position in that year, indicate that there has been a markedly high growth of financial resources in the personal sector and in sectors referred to as "other socio-political communities" and "other organizations." In these sectors the growth of financial savings has been much larger than in the economic sector. That is why a particular effort must be made so that the economy's financial strength grows in keeping with the production results it is achieving this year.

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YUGOSLAVIA

REGIONAL STRUCTURE OF FOREIGN TRADE FOR 9-MONTH PERIOD

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 4 Nov 77 p 5

[Article by M. Zoric: "On the Foreign-Trade Exchange During the First Nine Months--Regionally: Not Satisfying, But Not Disturbing"]

[Text] In certain respects 1976 represents an unusual year in Yugoslav foreign-trade exchange. Exports have increased markedly while imports have declined. For purposes of comparison with 1977 let us take the data on the first 9 months of 1976. In this period last year exports had increased 21.8 percent while imports had declined 3.6 percent, thus the deficit of 48.3 billion dinars in the corresponding months of 1975 decreasing to 29.1 billion dinars.

In addition to this, an increase in exports was registered by all developed countries, the highest being in the most developed ones--the United States and those in the European Economic Community--while imports were reduced precisely from these countries, which to a certain extent mitigated the excessive difference in the balance with them. Imports were larger only from East European socialist countries (the sphere of CEMA), and to some degree from Asia, Oceania and Central America.

This year, however, movements are quite different. The increase in exports has slowed markedly (6.4 percent during the first 9 months) with a simultaneous and highly significant increase in imports (35.5 percent) and the foreign trade deficit. The deficit has increased from 29.1 billion to 57.1 billion dinars, so that it is slightly lower than the value of total exports. The situation is even more unfavorable since this deterioration occurred mainly in trade with Europe--with all three integral areas as well as with the United States and Japan--in short, with all industrially developed countries. In the period under consideration almost 90 percent of the deficit falls on these countries, and 54 percent on the European Economic Community [EEC]. During the first 9 months the trade deficit in this area is almost twice as high as our exports to these countries. The situation is similar with respect to the European Free Trade Area [EFTA], the United States and particularly Japan.

Let us mention that only one-fifth of the imports from Great Britain is covered by exports. In trade with more important partners with market economies a rate of coverage of more than 50 percent has been realized only with Italy (62.5 percent).

In relation to countries which are members of CEMA the coverage rate is highest only in trade with the Soviet Union and Poland (90 and 92 percent respectively) and it is below 50 percent only with Hungary (46.5 percent).

Thus, of the three European economic groupings (EEC, EFTA and CEMA) we do not have a favorable balance with any of the member countries, while with regard to the remaining European countries our assets are lower toward Greece (283 million dinars) and Malta (28 million dinars).

With Africa--Almost One Billion Dinars of Assets

A minor surplus has been realized in exchange with a number of countries in Asia, the highest being that with India (435 million dinars). However, the liabilities toward Iraq have remained at the same level as last year and in the first 9 months of this year they amount to 4.2 billion dinars.

While in the first 9 months of last year the trade balance with Africa was almost even--the liabilities amounting merely to approximately 200 million dinars--this year considerable surplus has been realized in the exchange with Egypt and Liberia, and somewhat lower toward several other countries, with the surplus from trade with Africa amounting to 988 million dinars.

There is a favorable balance of trade in South America only with Colombia and Venezuela, while liabilities are highest toward Brazil. In Central America there is a favorable balance of trade with Cuba and Panama.

The uneven movement of foreign trade this and last year led, of course, to smaller or greater changes in the participation of individual regions, i.e., states, in the total of Yugoslav imports and exports as well as to different growth rates of imports and exports in relation to 1976.

Lagging Partners

However, in comparing the fluctuations in foreign trade flows during this and last year it should perhaps be taken into account that these flows have occurred under somewhat unusual economic circumstances.

Namely, subsequent to the overcoming of the recession, the revitalization of economic activities in industrially developed countries, our principal trade partners, was turbulent and preceded the strengthening of the economy in our country. Hence, the phenomenon that in 1976 we even registered a

Yugoslav Exports and Imports During the First Nine Months of 1976 and 1977,
Coverage Rates of Imports With Exports in the Same Period

(in millions of dinars)

	1976.		1977.		(1) Stope pokrića u %	
	(2) Januar-septembar		(2) Januar-septembar		1976/9	1977/9
	(3) Izvoz	(4) Uvoz	(3) Izvoz	(4) Uvoz		
(5) Svet	60,563	89,656	64,433	121,505	67,5	53
(6) Evropa	45,386	68,239	46,886	90,927	66,5	51,5
(7) EEZ	16,318	34,552	17,621	47,783	47,2	36,9
(8) Italija	7,472	9,041	8,434	12,942	82,6	65,2
(9) SR Nemačka	5,299	14,887	4,976	19,532	35,6	25,5
(10) EFTA	2,319	6,608	2,715	5,040	35,1	33,8
(11) Austrija	1,260	3,196	1,179	3,417	39,4	34,5
(12) SEV	25,492	25,941	25,009	33,589	98,2	74,4
(13) SSSR	14,914	12,435	14,501	16,011	119,9	90,6
(14) Ostala Evropa	1,257	1,138	1,541	1,515	110,4	101,7
(15) Japan	136	1,137	225	2,485	12	9
(16) SAD	4,888	4,802	3,479	7,289	101,8	47,7
(17) Kanada	229	294	209	767	77,9	27,2
(18) Okeanija	142	782	132	1,519	18,1	8,1
(19) Zemlje u razvoju	9,782	14,402	13,502	18,418	67,9	73,3
(20) Afrika	3,134	3,332	5,201	4,203	94	123,7
(21) Azija	5,798	8,144	6,445	9,641	71,2	66,8
(22) Srednja Amerika	250	888	1,273	663	28,1	192
(23) Južna Amerika	600	2,038	583	3,911	29,4	14,9

Key:

- | | |
|--------------------------------|--------------------------|
| 1. Coverage rates in % | 13. USSR |
| 2. January-September | 14. Europe (remainder) |
| 3. Exports | 15. Japan |
| 4. Imports | 16. USA |
| 5. World | 17. Canada |
| 6. Europe | 18. Oceania |
| 7. EEC | 19. Developing countries |
| 8. Italy | 20. Africa |
| 9. Federal Republic of Germany | 21. Asia |
| 10. EFTA | 22. Central America |
| 11. Austria | 23. South America |
| 12. CEMA | |

decline in imports and a significant increase of exports to the areas of the EEC, EFTA, the United States and Japan.... Activity in these countries was particularly strong in the initial months of last year. However, already in the beginning of the second half of last year in the majority of these countries a certain retardation could be perceived which continues this year as well--while economic activity in Yugoslavia is developing.

Our partners are decreasing their imports in general, including those from Yugoslavia, while, conversely, we are purchasing investment equipment, raw materials, and semi-finished products abroad, markedly increasing the import of agricultural products as well. Therefore, in comparing this year's trade movements with those of last year, this factor should perhaps also be taken into account.

YUGOSLAVIA

UNFORESEEN LAG IN MACEDONIAN FOREIGN TRADE REPORTED

Skopje NOVA MAKEDONIJA in Macedonian 17 Nov 77 p 13

[Article: "The 9-Month Commodity Exchange Between the Socialist Republic of Macedonia and Foreign Countries: Unforeseen Lag"]

[Text] According to official reports of the Economic Chamber of Macedonia (the Secretariat for Foreign Economic Relations), the 9-month results of trade with foreign countries are much lower than planned in the Resolution on the Realization of the Social Plan of the Socialist Republic of Macedonia for the period 1976 to 1978. That is, although it was planned that in 1977 exports would grow at a rate of 10 percent, up to 30 September of this year inclusively, exports have declined 15 percent, while imports increased 38 percent. Difficulties in exports are felt in the industry and tobacco. By the end of the year, however, these problems could be alleviated, i.e., it should be possible to register higher export and lower import rates. Thus, it is expected that tobacco exports will reach the level of last year--somewhat enlarged in physical volume. It is also expected that arrangements for the export of buses and other products, which have already been concluded and agreed upon, will be realized by the end of the year.

According to the data of the chamber, with the exception of the electric, construction materials, wood and paper industries, whose share in the export structure is insignificant, the remaining branches of industry register failures in exports. These are nonferrous metallurgy, textiles, tobacco, leather and shoes, chemicals and metal.

Under these conditions the chamber points to certain aspects which led to these difficulties in the placement of imports and exports. The difficulties are manifested mostly in unfavorable prices on foreign markets, i.e., under conditions of strong competition in the placement of industrial products on foreign markets. Further, there was insufficient diversity among industrial products intended for export. It was pointed out that foreign trade is still dominated by classic trade relations which are always influenced by changes in supply and demand on world markets and the consequences of price and factor changes. There is still a certain incompleteness in policies regarding measures for stimulating the export of individual products. We also encounter organizational and other problems present in foreign-trade operations.

In addition to the difficulties on the foreign side, increase in domestic consumption, because of lower prices relative to exports, resulted in a reorientation in supply--domestic markets grew at the expense of exports.

Whether imports will increase or decline certainly depends primarily on the stability of our production intended for placement outside the country, freed from fear of the prices on the market or the degree of competition. It further depends on the export mechanism, and the stimulation and awareness that we should export more in order to open doors for the import of goods. Such stimulation of exports will certainly provide even more significant areas for the Macedonian economy abroad and for the achievement of even greater results. The need to provide more space for branches whose goal is a long-term linkage of the domestic economy with foreign partners is pointed out.

As far as the increase of imports is concerned, it was the latter which aggravated our trade balance. This was certainly influenced by price increases in imported goods as well, which fluctuated around 14 percent, and by the dependence of our production on the import of modern equipment and technology from the developed countries in the West, thus neglecting the import of equipment from CEMA where our OZT (Organizations of Associated Labor) are freed from tying imports to exports.

In assessing the results of the commodity exchange between the Socialist Republic of Macedonia and foreign countries in the period January to September 1977, it was established that everything which occurred on the world market should also be taken into account. Economic disturbances are still present in world trade. All developed countries apply restrictive policies, while envisioning their chances for expansion through exports.

The resolution of this situation, however, is foreseen in the implementation of systemic laws in the sphere of economic relations with foreign countries.

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CAPITAL ACCUMULATION OF PRIVATE FARMS, 1961-1973

Belgrade EKONOMIKA PROIZVODNJE HRANE in Serbo-Croatian No 10, Oct 77
pp 37-47

[Article by Sveto Davidovic, M.A., Federal Secretariat for Finance]

[Text] Introduction

The rate of capital accumulation in private farming represents the farm's ability to commence expanded reproduction in the new production cycle. It depends on the volume of production and product quality, as well as on the distribution that takes place in society.

In some cases production on the private farm may be capable of capital formation in and of itself, yet expanded reproduction cannot be undertaken. This happens in the case when the system of distribution is such that the capability for capital accumulation is taken away from the private farm, which in effect passes the capability for capital formation to other entities in society. This is a very important factor from the standpoint of generation of capital in society, since what it means is that a portion of the capital formed on the private farm is taken away and transferred to the socialized sector. If the division in society is such that the private sector is burdened with charges (taxes, surtaxes, contributions, duty, and so on), then most of the capital generated by the production process will leave the private farms, and a small portion will remain for actual capital formation.

The private farm's surplus value, which is the result of production in agriculture (cropping, animal husbandry, market gardening, fruit growing, etc.), represents a portion of the national income of private farms which has not yet been distributed among various entities on the basis of legal regulations or other obligations burdening the private farm. In distribution of the national income of private farms, then, the surplus value also contains what they set aside for the community.

The private farm's capital formation represents a part of the surplus value with which it can carry out expanded reproduction. Expanded reproduction

on the private farm means investment in new technical advances in agriculture and investments which are necessary to a new increase of production. That is why private farmers want their capital formation to be as large as possible, and at the same time they strive for a larger surplus value, and they want the portion of the surplus value which goes to society to be as small as possible.

Private farms in Yugoslavia ought to have as high a rate of capital formation as possible, but not so as to strengthen the private sector, but so that the economy will develop toward increased agricultural output, higher productivity and higher yields per hectare or head of livestock and so that domestic production will fully meet the need for agricultural products. A higher rate of capital formation would make it possible for private farms to strengthen the economics of their operation and become an equal partner in collaboration with socialized farms. When this kind of linkage is made on the basis of production, capital formation even on the private farm is not altogether and exclusively private, but also incorporates elements of social accumulation. For the sake of maximum capital formation, it is in the interest of our socialist community to make it possible for the private farm to collaborate with the socialized sector.

In capitalist society the private farmer wants to produce those farm products which generate the most capital. Private farmers in the advanced capitalist countries are just as interested in capital formation in their agricultural production as are the other sectors and industries of the economy. Private farmers would not otherwise invest their capital in agriculture. But even under capitalism a portion of the capital generated goes to the state for government expenditures, while most remains with the private landholder or producer.

In administrative socialism, once private farming has been done away with, the redistribution of capital formation and net income between the enterprise and the state is effected by tax policy and other instruments of economic policy. This formation of capital is managed by government agencies, which make a redistribution among the sectors and industries of the economy.

In our country, since most of the land has remained in the hands of private farmers, the major portion of accumulation was set aside for development of the socialized sector, heavy industry first of all, in the initial period of socioeconomic development. However, when industry had developed to a certain level, the portion of accumulation which had been going to its development was left with the private farm to increase its capital formation. This is the case only when prices of industrial and farm products are rising in proportion to one another. However, if the "price scissors" operates to the detriment of agriculture, then industry continues to develop in part thanks to agriculture. In a time when the "price scissors" is operating, this distribution of the social product takes place through the policy governing the prices of farm products to the advantage of industry and other economic sectors. This indicates that rising prices of farm products are among the factors that have a large impact on the farm's capacity to generate capital.

The Yugoslav Private Farm's Ability to Generate Capital in Agricultural Production

The level of capital formation on the private farm depends primarily on results achieved in agricultural production and on distribution of that farm's income. The larger the yields on the farm, the more income will grow, which, assuming normal distribution, that farm will be left a larger amount for formation of capital. Aside from higher yields on the private farm and the distribution of that farm's income, capital formation can also be increased by a rise in the prices of farm products, which have been rising steadily since 1965. This constant upward movement of the prices of farm products has been advantageous to those farms using their own supplies and raw materials and has increased their capacity for capital formation.

There are several parameters determining the level of capital formation on the private farm, namely:

- i. the level of gross output,
- ii. the level of the private farm's social product,
- iii. the level of the national income of the private agricultural sector,
- iv. the level of expenditures for personal consumption,
- v. the level of expenditures for the public community and other charges.

The value of the private farm's gross product includes the calculated production of field crops, animal husbandry, fruit growing, viticulture, domestic processing of farm products, and also incidental activities performed on farms such as handicrafts, hauling, the gathering of medicinal herbs, hunting and fishing, and so on. The value of a farm's gross output does not include income which the members of that farm earn by working in industry, transportation, trade and hostelry nor in other economic sectors and industries.

The private farm's net income is established on the basis of the value of total agricultural production. The value of total agricultural production is obtained by multiplying the amounts produced by the appropriate prices. These are the prices at which private farms sell their products.

Producer prices always pertain to a product produced in the year for which the computation is being made. But the time to which the price taken in the computation applies varies from product to product in the case of agriculture. Thus market prices from January to December are used in computing the prices at which livestock and products of animal husbandry are sold. Average prices in market gardening and fruit growing are taken for the period which represents the particular product's season, from its appearance on the market to the end of the season. Average grain prices are figured from the period of the harvest to the end of April in the following year.

Average prices at which products are sold are also taken for all other farm products. The average producer's price is multiplied by the yields obtained (the area reaped is multiplied by the average yield of the crop), and one obtains the value of the gross harvest.

The value of the gross product includes the social product and the private farm's material costs. Price rises and yields have a great impact on the size of the gross product. Since in Yugoslavia the purchase price of a majority of farm products are fixed, agriculture as a whole has been in a poorer position than economic sectors whose prices were formed on the market. The price policy which has been conducted has had an effect on agriculture's development, especially in the private sector.

The rate of growth of the social product depends on the results achieved, on the movement of prices and on the level of costs. The private farm's social products rose 31 percent between 1961 and 1973, while the growth of the social product of the entire economy was 115 percent (1966 prices = 100). The growth of the social product of the private sector of agriculture was small, primarily because of unfavorable price relations between products which private producers sell on the market and products which they must purchase.

The price is a very important factor in increasing the value of production, above all because primary distribution among participants in production takes place by virtue of the price. The prices of farm products, which in most cases are prescribed by the public community in the form of guaranteed prices, have had a great deal to do with this growth rate of the social product of the private agricultural sector. It can be said that the price disparity between agriculture and other economic sectors and industries was especially manifested between 1960 and 1964.

The prices of farm products increased thanks to the measures of the economic and social reform in 1965, and the disparity disappeared temporarily. These measures had the aim of augmenting net income in agriculture. However, the price disparity became worse in 1967. "The price disparity to agriculture's detriment was 18 index points between 1964 and 1970."¹

The result is that the private farmer's social product has not shown a constant upward growth trend, but has followed a very uneven line of movement.

The national income of the private agricultural sector represents that portion of the social product which is obtained by subtracting material costs and amortization from the social product. This income is distributed to net personal incomes, funds for the public community and other charges, and capital formation.

The private farmer's personal consumption is a part of the aggregate of production, the social product and the national income, and the level of personal consumption depends on the private farm's economic and cultural level and also on the necessary volume of consumption on that farm.

The level of collections by the public community and self-managed special-interest communities rendering public and other services depends on various criteria, but the most important is the kind of tax policy which our country is conducting.

Capital formation is the remainder of income that is left after all the expenditures we have enumerated.² Accumulation is smaller than the surplus value by the amount of obligations to the social community and other payments based on obligations to self-managed special-interest communities.

Over the period under consideration the surplus value of the average private farm has shown an upward trend, though the rate has not always been the same from year to year. Capital formation depends on the level of the private sector's national income and also on the amount of personal income which that sector sets aside for its own needs. Larger income also brings about an increase in the amount set aside for personal consumption, though these increases are not of the same magnitude, nor in fact is there a definite rule confirming that the size of the growth of income affects the size of expenditures for personal consumption. Precisely for that reason in the period between 1961 and 1973 no growth of income was recorded which would have brought about an adequate growth of capital formation on the private farm.

The table below shows the dynamics and growth of the national income and surplus value between 1961 and 1973:

Table 1. Rate of Growth of the National Income and the Surplus Product on Private Farms (1966 prices = 100)

Year	National Income ³		Total Surplus Value	
	Amount	Index of Annual Growth	Amount	Index of Annual Growth
1961	16,194	100	3,883	100
1962	15,954	99	3,845	133
1963	17,139	107	4,274	111
1964	17,777	104	4,201	98
1965	16,118	91	3,167	82
1966	19,013	118	3,964	125
1967	18,807	99	3,703	93
1968	17,972	96	2,703	100
1969	19,885	111	3,596	133
1970	18,835	95	2,744	76
1971	19,647	104	3,666	134
1972	19,296	98	2,589	71
1973	21,223	110	3,906	151

We can conclude from the table that the income of private farmers has been growing faster than the surplus value. Whereas the national income grew 31

percent between 1961 and 1973, the surplus value grew 0.56 percent. The reason why the surplus value grew less than income should be sought in the larger amount set aside for personal incomes of private farmers. These expenditures are the result of the faster development of the productive forces and of production relations in rural areas. Only after paying part of the surplus product to meet the needs of the community and other self-managed special-interest communities is the private farmer left a portion for capital formation.

It is from accumulated capital that funds are spent for expanded reproduction on the private farm. The rate of growth of production and the size of new investments on the private farm depend on the size of those funds. Figures on capital formation are examined from the standpoint of only that income on the farm which was earned by production from the land and production taking place on the farm.⁴

Table 2. Capital Formation of Private Farms: Total, Per Hectare and Per Farm (1966 prices = 100)

Year	Total Capital Formation of Private Farms, in millions of dinars	Capital Formation Per Hectare, ⁵ in dinars	Capital Formation Per Farm, ⁶ in dinars
1961	2,128	232.06	811.28
1962	1,752	191.89	667.94
1963	2,095	232.52	798.70
1964	2,265	254.12	863.52
1965	1,575	178.17	600.46
1966	2,156	245.84	821.96
1967	1,485	169.71	566.91
1968	447	51.25	170.41
1969	1,465	168.00	563.03
1970	788	90.95	302.73
1971	1,867	216.06	717.25
1972	960	111.10	368.81
1973	2,497	288.97	959.28

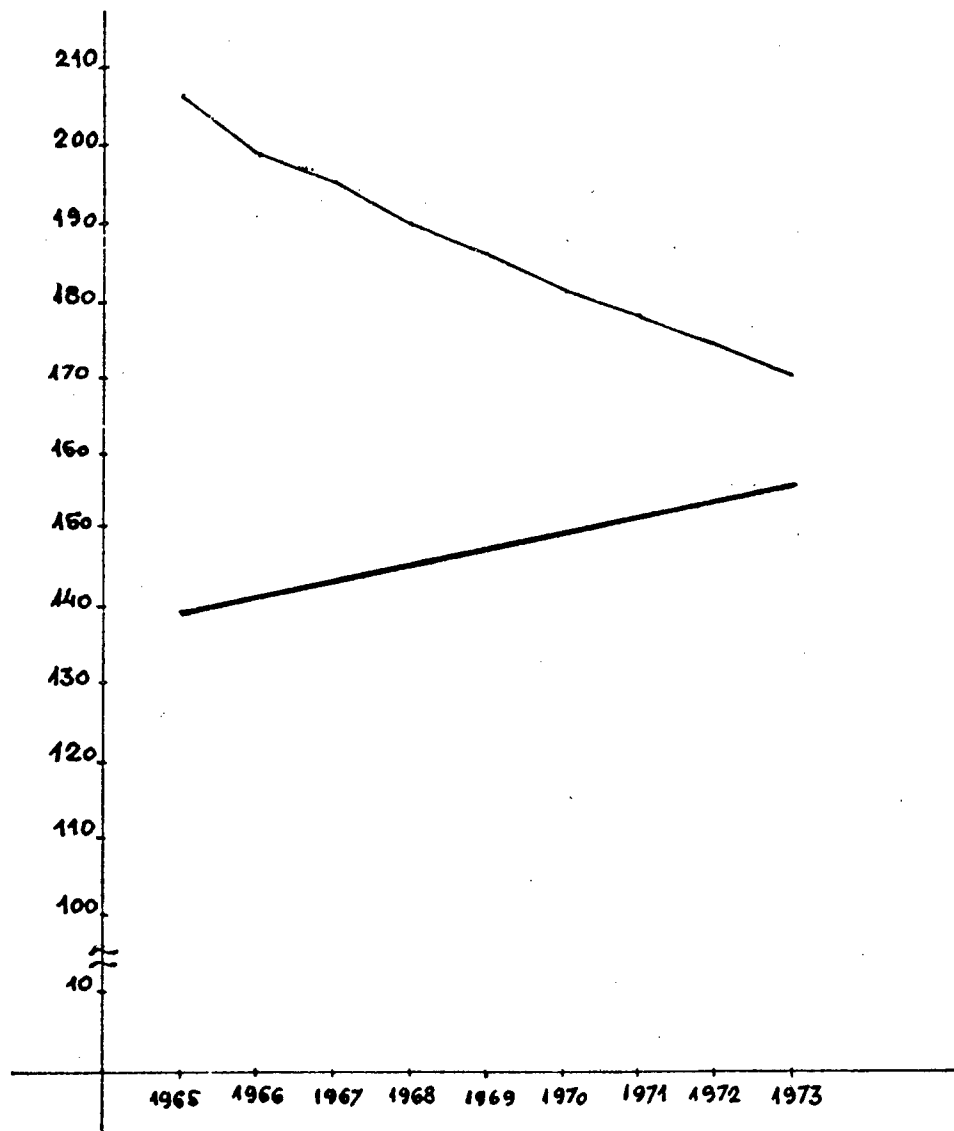
It is evident from this table that the level of capital formation per farm and per hectare has been rather low.⁷ Various factors have affected this movement of the rate of capital formation: the level of development of the productive forces on farms, low productivity in agricultural production, price policy governing farm products, etc.

In the period between 1961 and 1973 price policy was quite a significant factor in the private farm's capital formation. A comparison of the retail price index of industrial products and of farm products shows how much lower the prices of farm products were than the prices of industrial products.

The growth trend of capital formation has an upward line over a long period of time, with minor fluctuations in certain years. This growth of capital formation is mainly the result of the improved productive capability of private farms and the use of modern farming practices in cultivating the land. In the period since enactment of the measures of the economic reform, the smallest formation of capital was in 1968, a year characterized by a drop in agricultural production and in farm income. In 1968 the portion of income set aside for the public community was larger than the amount set aside in 1967. After that year, which was especially unfavorable, there came a period in agricultural production when capital formation on private farms increased.

The graph given below shows the trend of capital formation and of taxes and other legal obligations:

Trend of Capital Formation and of Taxes and Other Legal Obligations Taken Together on Private Farms Between 1965 and 1973



— Taxes and other legal obligations, total
— Rate of capital formation on private farms

We see from the graph that the taxes paid by private farmers have been showing a declining trend, while capital formation on the private farm has been showing a growth trend. The growth of capital formation of private farmers shows fluctuations in that the size of growth varied, and in 1968 there was a pronounced drop in the rate of capital formation. Taxes and other legal obligations of private farms show a tendency to decline, though their amounts have varied over this period. The fluctuations from year to year in the rate of the private farm's capital formation have resulted from a drop in production, the low rise in the prices of agricultural products and difficulties in selling the products of animal husbandry on the Common Market. When the situation in agriculture was corrected, in 1971, the rate of capital formation again increased, reaching its highest point in 1973.

Capital formation varies from region to region in Yugoslavia, and everything depends on the national income earned in the particular region. The level of capital formation in a given region depends on the level of development of the productive forces and on their applicability to development of agriculture on private farms and on the size of the price rise of farm products. A growth of the capital generated, which is accompanied by increased investments in the farm, is an instrument for bringing about faster transformation of agriculture in rural areas. In the coming period capital formation could be larger if there is a rise in labor productivity in agriculture. This can be achieved by reduction of production costs and through the use of modern equipment in production. In addition to these factors, the rate of capital formation is also raised by a rise in prices, which is directly reflected as a rise in the rate of capital formation on the private farm.

The private farm's capital formation is also affected by the price relation between farm products and industrial products. The smaller the gap between them, the more capital is generated in agriculture, and vice versa.

The possibility of generating capital on a private farm depends first of all on the results achieved in agricultural production. Larger yields on the farm will create the possibility for a higher capacity to generate capital.

Prospects for the Rate of Capital Formation on the Private Farm

The prospects for the rate of capital formation on private farms are based on larger agricultural production. It depends on achieving higher yields per hectare or per head of livestock. A higher rate of capital formation on the private farm can be achieved if farmers pool their labor with organizations of associated labor.

The rate of capital formation also tends to rise under the influence of other factors which promote faster development and growth of agricultural production. And then taxation of the private farm on the basis of cadaster income affords an opportunity for the private farm's ability to generate capital to grow considerably when production increases. Moreover, in the coming period better conditions must be created for a rise in labor productivity, above all because of the role which agriculture has as an economic

sector in our country's economic development and in order to establish better relations between supply and demand for agricultural products.

These better prospects for the rate of capital formation on the private farm can be realistic only if there are additional funds in agricultural production on the private farm and if stable conditions are created for the sale of farm products.

The public community, with its economic policy measures, has a particular impact on the growth of production of private farms, and thereby on their rate of capital formation as well. These measures must stimulate the development of agriculture as an economic sector, and within that sector they must stimulate the development of private farms. The measures taken by the public community to achieve larger capital formation on the private farm are provided for as follows in the Social Compact on Long-Range Policy Concerning Agricultural Development:

- i. earmarked investment of funds on private farms;
- ii. exemption from the tax on fees for services of interest collected on loans made to finance capital investment projects on private farms, as well as a lower rate of interest;
- iii. the entry of private farmers into association as an opportunity for increasing their ability to generate capital;
- iv. faster establishment of links and associations of private farms in a context of self-management.

These measures which the public community⁹ envisages represents an elaboration and application in specific terms of the social compacts in the field of agriculture.

In addition to these measures, the following should also be taken in order to increase capital formation on the private farm:

- i. tax policy should stimulate the development of agricultural production on private farms,
- ii. investment in the farm should be encouraged, and the amount invested should be recognized in connection with the payment of taxes,
- iii. tax policy should stimulate the private farmer's cooperation with the socialized sector,
- iv. a rise in productivity, which should come along with proportional capital investments, thus making it possible to achieve larger production,
- v. larger agricultural production by virtue of social stabilization on the market for agricultural products thanks to guaranteed purchasers and guaranteed prices for farm products.

All these measures need to be taken, since the prospects of the economy, and thereby of agriculture as well, lie in higher productivity and still greater commitments of money to activate the large natural potential. The prospects for production on the private farm which will generate more capital lie in the broadest possible cooperation with the large agricultural complexes and in a linkage between them that covers the spheres of production, exchange, distribution and trade. Only farms of this kind have an opportunity to generate sizable capital. Farms which remain outside this process, whether because their natural and other conditions do not allow them, or because of the farmer's desire, cannot expect a higher rate of capital formation.

The prospects for capital formation also lie in utilizing the comparative advantages of the various regions in our agriculture. Utilization of these factors would make it possible for private farms to increase their income and to alter the unfavorable agrarian structure. All of this can be achieved on the assumption of better cooperation with socialized farms and production specialization. Utilization of comparative advantages would be conducive to the division of labor in agriculture and higher productivity on the farm. There is a justification for utilizing these factors in increasing the capacity of the private farm to generate capital only if the particular region has a clear long-range development plan. It is therefore necessary to alter the system of tax policy and set it up so that it differentiates among regions.

The system of tax policy should be changed by virtue of laws and other enactments of sociopolitical communities. That is, there must be a change in the attitude toward private farmers who engage in cooperation or who become associated with organizations of associated labor. If objective conditions exist for development of agriculture in a particular region of a republic or autonomous province or still smaller region, then legislation should incorporate incentives which will motivate the private farmer to increase his production and improve his cultivation of the land.

For the sake of larger production and a higher rate of capital formation, as well as to achieve better supply of the market with certain scarce products, legislation should provide that all those farmers who plant a particular crop or raise a particular type of livestock will to some extent be exempt from payment of taxes as a function of the number of hectares planted, the number of head of livestock raised, and so on.

A study should also be made of the possibility of exempting from taxation implements the farmer uses exclusively for production on his own farm, since this would be an incentive for larger production.

Conclusion

The private farm's capital formation has shown a tendency to increase, though there were sizable fluctuations in 1968 and 1970. The growth of income on the farm is the basis for a further rise in the rate of capital formation of the private sector of agriculture.

The measures of the 1965 economic reform gave out of steam rather quickly, since they were not carried through to the end, and that is one of the reasons why a drop in agricultural production and the rate of capital formation was recorded in 1967 and 1968.

Direct taxes and other legal obligations have an impact on the rate of capital formation, since a part of the surplus value is deducted to meet them, while the remainder represents capital formation. However, price policy also has a direct impact on the rate of capital formation. A rise in the price of agricultural products brings about a corresponding increase in the surplus value, and the level of capital formation on the private farm depends in turn on this.

Increased imports of agricultural products have had a definite impact toward raising the rate of capital formation on private farms. The importation of farm products, whose prices have been rising steadily on the world market, has caused unrest and instability on the market and has been detrimental to equilibrium in our balance of payments. If the size of imports is to be reduced, productivity will have to be raised on private farms, prices will have to be corrected, and there will have to be changes in the assortment of farm products. To a considerable degree this would tend to reduce the trade deficit, and the farm products market would become much more stable.

Aside from prices, the conduct of a realistic tax policy and the use of modern equipment, a higher rate of capital formation on private farms will be especially promoted by the organization of private farmers on a self-management basis. The low level of organization and lack of linkages among agricultural producers on a self-management basis in the spheres of production, processing and trade have made for instability on the farm products market. These shortcomings will undoubtedly be corrected as the aim of the Law on Associated Labor is achieved.

FOOTNOTES

1. "Ekonomika poljoprivrede sa zadrugarstvom" [The Economics of Agriculture, Including the Cooperative System], Prof Dr Mihajlo Vuckovic and Docent Dr Mihajlo Radic, Privredni pregled, Belgrade, 1973, p 103.
2. This amount of national income which we refer to as capital formation also contains certain other obligations which must be paid. These include the following expenditures: cash payments for medical care exceeding 14 days, children's education, insurance, and so on.
3. "Privredni bilans Jugoslavije" [Economic Balance of Yugoslavia] for 1962-1965, 1966-1971 and 1974, published by the Federal Bureau of Statistics, Belgrade.

4. This methodology used in computing income and capital formation, which consists of including in this income only the value of products produced on that farm, gives an incomplete picture of the farm's--household's--actual ability to generate capital. There are very few farms living exclusively from agricultural production; rather members of the household are employed in other economic sectors.
5. Source: "Statisticki godisnjak, 1972" [Statistical Yearbook, 1972], p 130, Table 107-2.
6. The number of farms is taken from the 1961 Census for the years 1961-1969 and from the 1969 Census for the years 1969-1971.
7. The low level of capital formation per farm and per hectare results from the figures taken, which can show the direction of movement, but derived figures are by no means exact.
8. The value of taxes and other legal obligations and of capital generated are expressed in 1966 prices = 100.
9. Socialist republics and socialist autonomous provinces.

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